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Comprehensive Annual Financial Report

**City of Biloxi
Biloxi, Mississippi**

Fiscal Year Ended September 30, 2003

PILTZ,
WILLIAMS,
LAROSA
&
COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Association

City of Biloxi, Mississippi
Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2003
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Section I
Introductory Section

City of Biloxi, Mississippi

Listing of City Officials as of September 30, 2003

Elected Officials

Mayor	A. J. Holloway
Councilman Ward 1	George Lawrence
Councilman Ward 2	Eric E. Dickey
Councilman Ward 3	Jim Compton
Councilman Ward 4	Charles T. Harrison
Councilman Ward 5	Mike Fitzpatrick
Councilman Ward 6	Tom Wall
Councilman Ward 7	David Fayard

Appointed Officials

Chief Administrative Officer.....	James B. Borsig
City Clerk	Brenda Johnston
Director of Police Department	Bruce Dunagan
Director of Fire Department.....	David Roberts
Director of Public Works	Richard Sullivan
Director of Community Development	David Staehling
Director of Parks And Recreation	Nathan Sullivan
Director of Legal Department	Ronald Cochran

Letter of Transmittal

September 21, 2004

Mayor and City Council
City of Biloxi, Mississippi

We are pleased to submit the Comprehensive Annual Financial Report of the City of Biloxi (municipal government and its component unit) for the fiscal year ended September 30, 2003. The Administration of the City of Biloxi is responsible for the information presented in this report. We believe that the accompanying information is accurate and complete and fairly presents the financial position of the municipal government of the City of Biloxi as of September 30, 2003 and results of operations for the fiscal year then ended.

In accordance with Section 21-35-31, Miss Code of 1972 and guidelines prescribed by the State Auditor, the financial statements presented herein have been audited by Piltz, Williams, LaRosa and Company, an independent firm of Certified Public Accountants. The objective of the auditor's work is to provide the auditor with a basis upon which to express an opinion on the fairness of the City's financial statements. The auditor's work involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation.

This report is divided into the following sections:

- **The Introductory Section** - contains this Listing of City Officials, Letter of Transmittal, the Certificate of Achievement and an Organizational Chart.
- **The Financial Section** - contains the report of the City's independent auditors; management's discussion and analysis; government-wide financial statements; fund financial statements; notes to the financial statements; combining and individual fund statements; and supplementary information.
- **The Statistical Section** - contains several schedules of historical, financial information and other statistical data concerning the City of Biloxi.

The Reporting Entity

This report includes all funds of the City of Biloxi and any entity that management has determined to be a component unit of the City of Biloxi municipal government. Component units are entities for which the primary government (the City) is financially accountable and other entities whose relationship with the City is such that its exclusion would create

misleading or incomplete financial information. The Point Cadet Development Corporation, a non-profit organization, is blended in the financial statements of the City of Biloxi as a proprietary fund. The Biloxi Port Commission is a discretely presented business type activity.

Economic Condition and Outlook

The City of Biloxi, Mississippi was incorporated in 1838. Biloxi is located in Harrison County, and its southern corporate boundary is the Gulf of Mexico. Biloxi is part of the Biloxi, Gulfport, Pascagoula Metropolitan Statistical Area. This area has a diverse economic base which includes tourism, casino gaming, fishing, seafood processing, shipping, shipbuilding, and petroleum and chemical processing. Keesler Air Force Base, Naval Station Pascagoula, Naval Construction Battalion Center-Gulfport and Northrop Grumman's Ingalls Shipbuilding are located within this metropolitan statistical area.

During the fiscal year ended September 30, 2003, the City's major revenues, property tax, sales tax and gaming tax, remained strong with a slight decline in gaming tax. (Fig. 1).

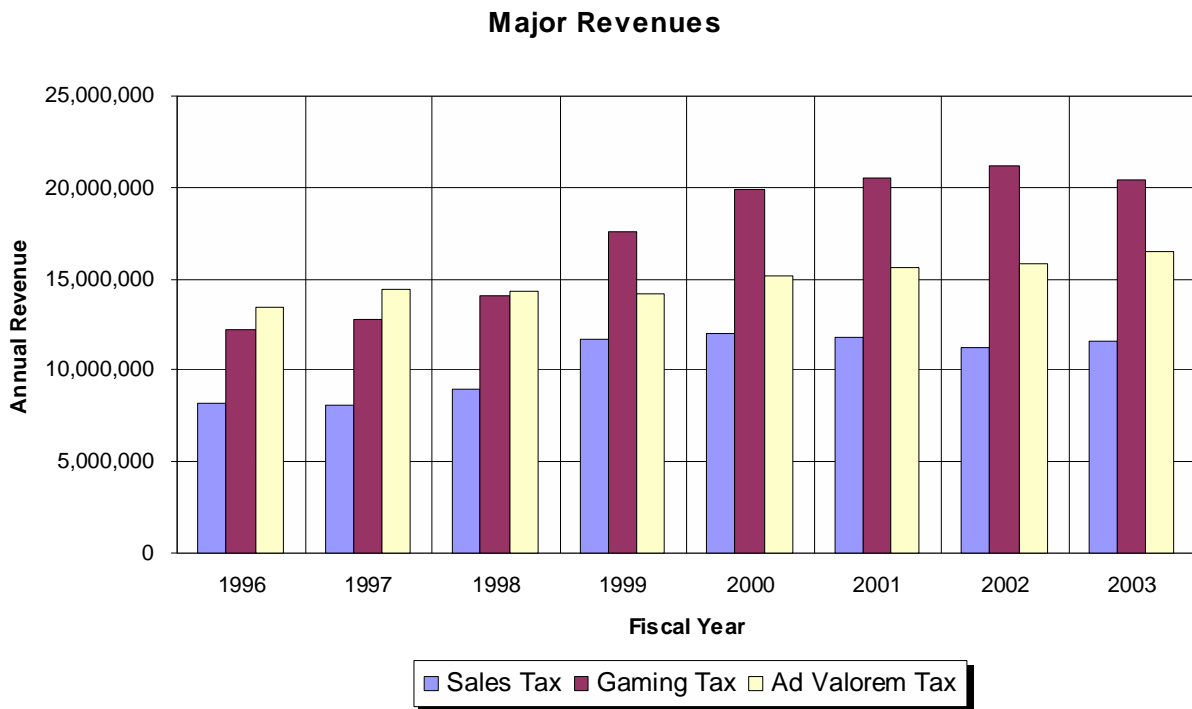


Figure 1

Revenues from local taxes on casino gaming have allowed Biloxi's governing authority to reduce property tax rates while increasing municipal services and capital spending. Because of the significant growth in the City's tax base (assessed value), property tax revenues have trended upward even though the City's governing authorities have reduced the City's property tax rate significantly over the last few years (Fig. 2).

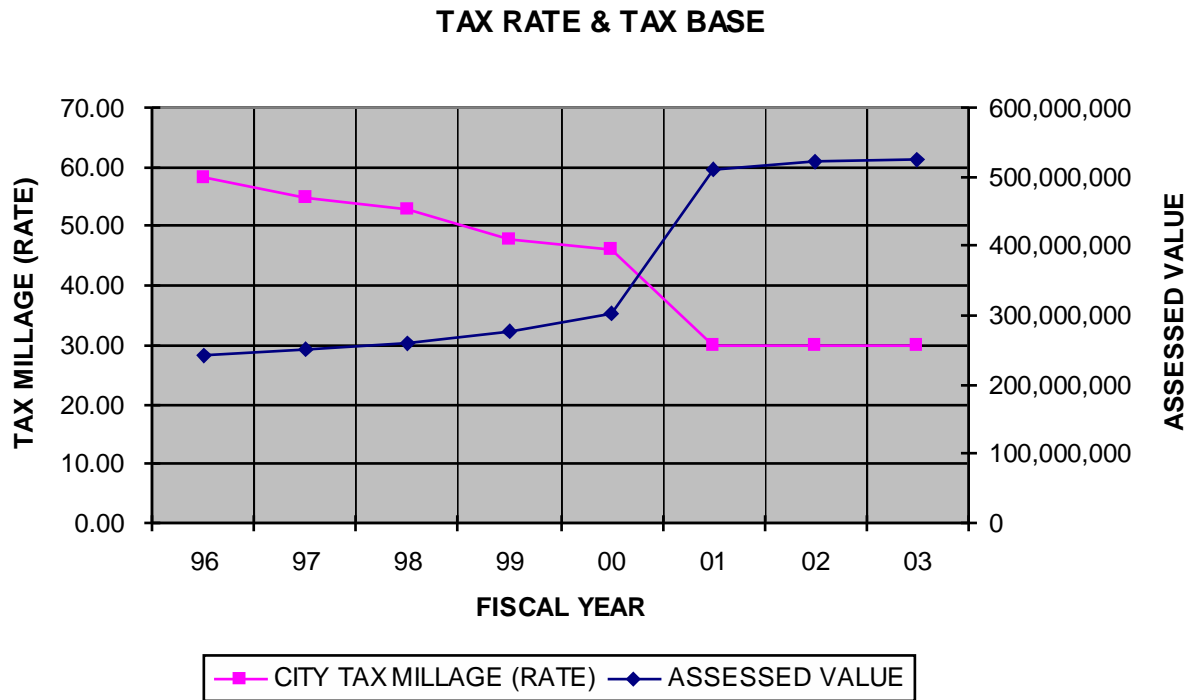


Figure 2

During the fiscal year 02/03, the City issued 1,541 building permits with a total valuation of \$120,161,619. The number of building permits issued increased 20% and the valuation of total building permits increased 69%.

Unemployment in Harrison County averaged 4.4% during 2003. During the same period, unemployment percentages averaged 4.8% in the Biloxi, Gulfport, Pascagoula Metropolitan Statistical Area.

Major Initiatives

At the end of fiscal year 02/03 the City had 75 capital projects in progress with project budgets totaling \$112,000,000 including Caillavet Street Redevelopment, Popp's Ferry Road widening, Popp's Ferry Recreation Area, Bayview Avenue construction, various water and sewer improvement projects and a multitude of other street, drainage, recreational and historic building preservation projects.

Control Environment

The City's management is responsible for maintaining a system of internal controls sufficient to provide reasonable assurance that City assets are safeguarded from loss and that financial transactions are recorded timely and accurately. Reasonable assurance means that internal controls are selected or designed to reduce the risk of asset loss or inaccurate bookkeeping to an acceptable level, considering the constraint that the cost of the control should not exceed the expected benefit. Management is responsible for communicating the purpose and importance of internal controls to employees and for providing the resources necessary to establish and maintain the control system.

Budgetary Controls

Prior to the beginning of each fiscal year, each department director prepares a projection of expenditures for his department. The City's budget staff develops a projection of revenues for all funds and a projection of the expenditures not included in the departmental budgets. The revenue projections and proposed expenditures are presented to the Mayor. After reviewing the draft budget proposal, the Mayor will meet with department directors to discuss their budget requests. Each director must justify his department's budget request by explaining the cost of the programs they propose for the coming year. When the Mayor is satisfied that the proposed budget conforms to the objectives and goals he has set for the coming year, the entire budget proposal is presented to the City Council. During a series of budget workshops, the City Council will review, discuss, question and debate the proposed budget and make modifications to it. After determining that the revenue projections in the budget are sound and that the proposed spending is necessary to provide the level of services and to accomplish the program goals and capital improvements proposed by the administration, the City Council will publish the proposed budget and invite public comment on the taxing and spending plan at a special public hearing. After considering public input, the Council adopts a budget for the coming year and sets the property tax rate at a level that will generate the property tax revenue projected in the budget.

Mississippi law prohibits spending in excess of the budget formally adopted by the City Council and spread upon the Council's minutes. The formal budget adopted by the Council sets a limit for total expenditures for each department. For management and control purposes, a budget with greater detail is utilized by City management personnel to monitor spending. For this purpose, the total budget of each department is spread to the expenditure accounts of each department's various divisions and sections. Programmatic constraints within the City's computerized purchasing system prohibit unauthorized purchases in excess of the budget at the expenditure account level.

The City utilizes an encumbrance accounting system in monitoring spending. An encumbrance system provides for changes against the budget at the time goods or services are ordered rather than waiting until the invoice is received or the payment is made.

General Governmental Revenues

General governmental funds are used to account for most City functions and operations including the various City departments, the City's retirement funds, Community Development Block Grants, capital projects, and the City's debt payments. Figure 3 illustrates the relative amounts of various general governmental revenues for the fiscal year 02/03. The City's three largest sources of revenues for general governmental functions are gaming tax, ad valorem tax and sales tax.

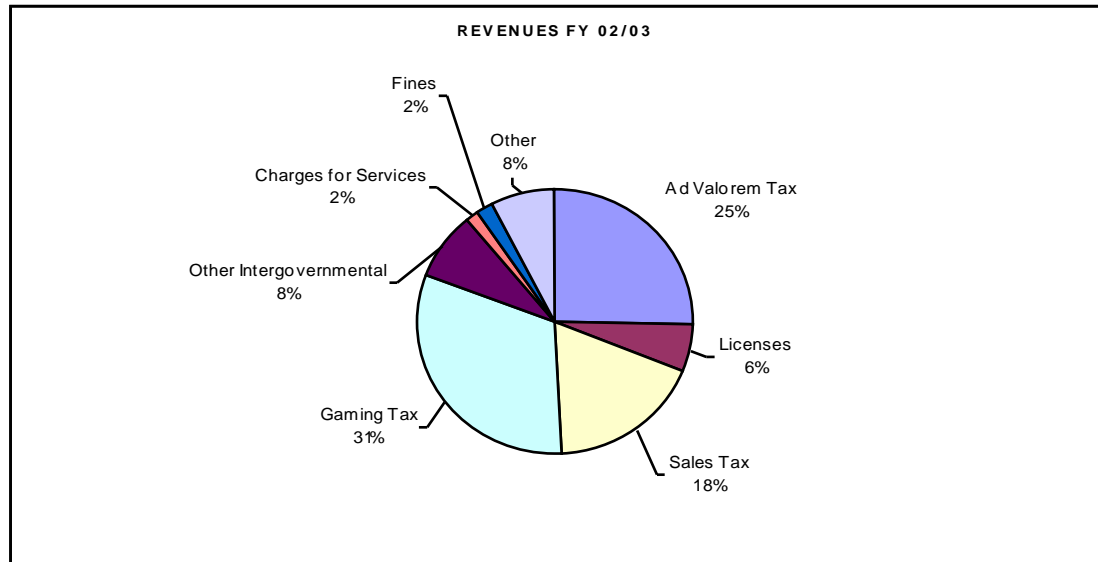


Figure 3

Gaming tax and sales tax are shown separately here but are included in the City's governmental funds financial statements on the line titled "Intergovernmental Revenues". Intergovernmental revenues are collected by other governmental entities such as state government and distributed to the City. Other Intergovernmental Revenue includes other taxes collected by Harrison County, taxes collected by the State of Mississippi and state and federal grants.

Property Taxes - In Mississippi, property taxes are levied by municipalities and counties on the assessed value of land and buildings, mobile homes, automobiles, business inventory and equipment. Assessed value is a prescribed percentage of the true (appraised) value of each class of property. Classes of property and assessment ratios are defined in Section 112 of the Mississippi Constitution of 1890.

<u>Class of Property</u>	<u>Ratio</u>
Class I Single-family, owner-occupied, residential real	10%
Class II All other real property, except Class I or IV	15%
Class III Personal property, except motor vehicles and Class IV	15%
Class IV Public Utility property	30%
Class V Motor vehicles	30%

Ad valorem taxes are collected in arrears. The taxes for a calendar tax year are due by February 1 of the subsequent calendar year. Each year the governing authorities of the City of Biloxi determine the total assessed value of property situated within the City limits. Prior to the beginning of a new fiscal year, October 1, they set the tax rate (levy) that will generate the tax revenue needed for the upcoming fiscal year. In each fiscal year, the City collects the ad valorem taxes for the prior calendar tax year. To summarize, the formula for determining tax revenues from each class of property is "Appraised value X assessment ratio X tax levy = tax amount".

Sales Tax - State law requires sellers of goods and services to collect and remit to the state sales taxes of various rates specified in the statutes. A tax rate of 7% applies to sales of tangible personal property. Of the taxes collected by the state each month, 18.5% of the sales tax revenue from activities within a municipal corporation is remitted to the municipal government.

Gaming Taxes - All taxes on gross gaming revenue and gaming devices are collected by the State Tax Commission, including those taxes levied by municipalities. The Gaming control act of 1990 provided a tax of eight tenths of one percent (.8%) on casino gross gaming income. This tax revenue is divided between Harrison County and the City in the proportion of the population of each.

House Bill 1504, Regular Session of 1992 (Local and Private Legislation) provided for a tax of three and two tenths of one percent (3.2%) of gross gaming revenue. On the tenth day of each month the State Tax Commission remits the taxes collected in the previous month to the municipality to be distributed in the following ratios:

- 20% for public safety
- 20% for education purposes (Biloxi sends this 20% to the Biloxi Separate School District)
- 10% to Harrison County for public safety purposes
- 10% for educational purposes in Harrison County (This 10% is distributed to the various school districts in Harrison County in the proportion of each district student enrollment to total enrollment of all school districts in the county.)

House Bill 1504 also provided for a licensing fee of \$150, annually, for each gaming device. In addition to local taxes, casinos pay a tax of 8% on gross gaming revenue to the state of Mississippi.

Figure 4 illustrates the trend in annual totals for each of the City's revenue sources. Casino gaming and the resulting gaming taxes were implemented in 1992, and since that time, gaming tax revenues have become the single largest revenue source for the City.

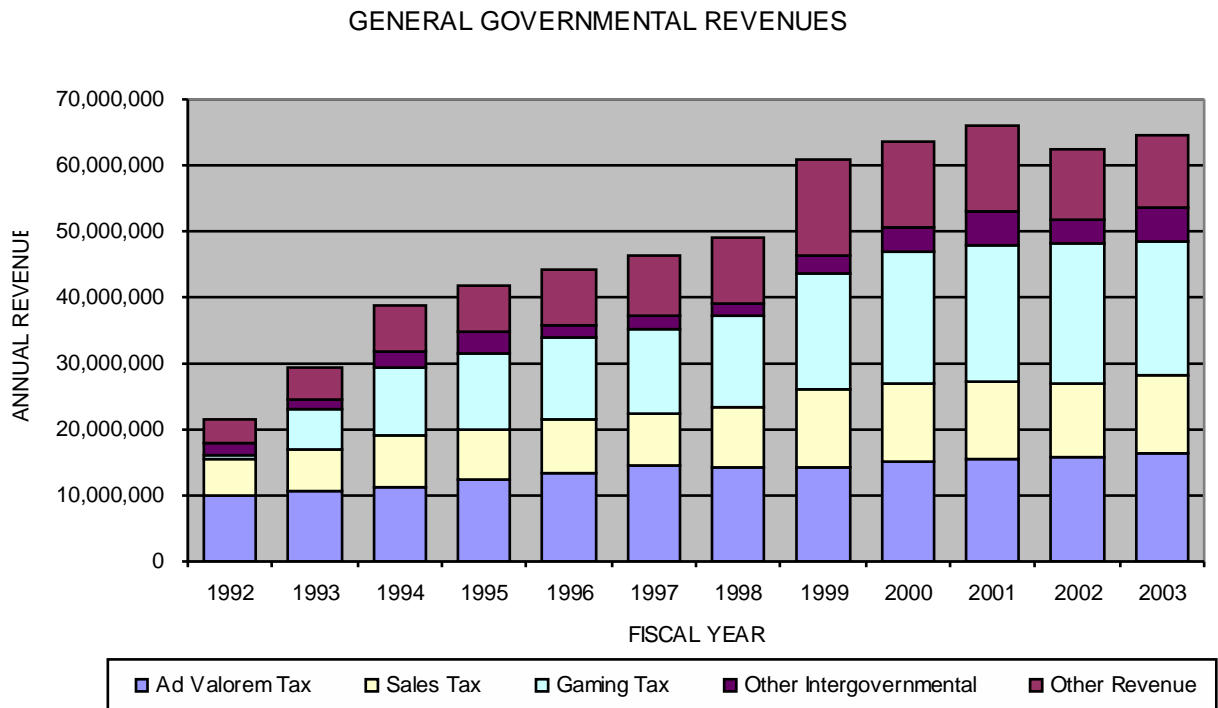


Figure 4

General Governmental Expenditures

Figure 5 illustrates the trends in City spending for general governmental functions. Public safety and capital projects are the largest expenditure categories of the City.

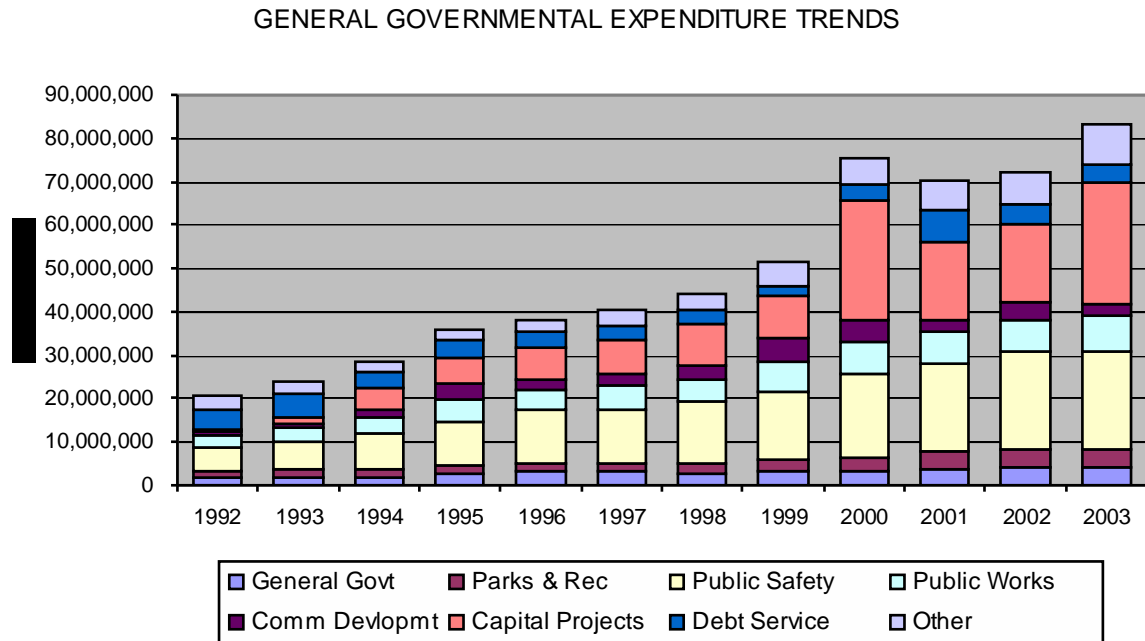


Figure 5

Figure 6 illustrates the relative amount of total expenditures for each general governmental function for the fiscal year 02/03.

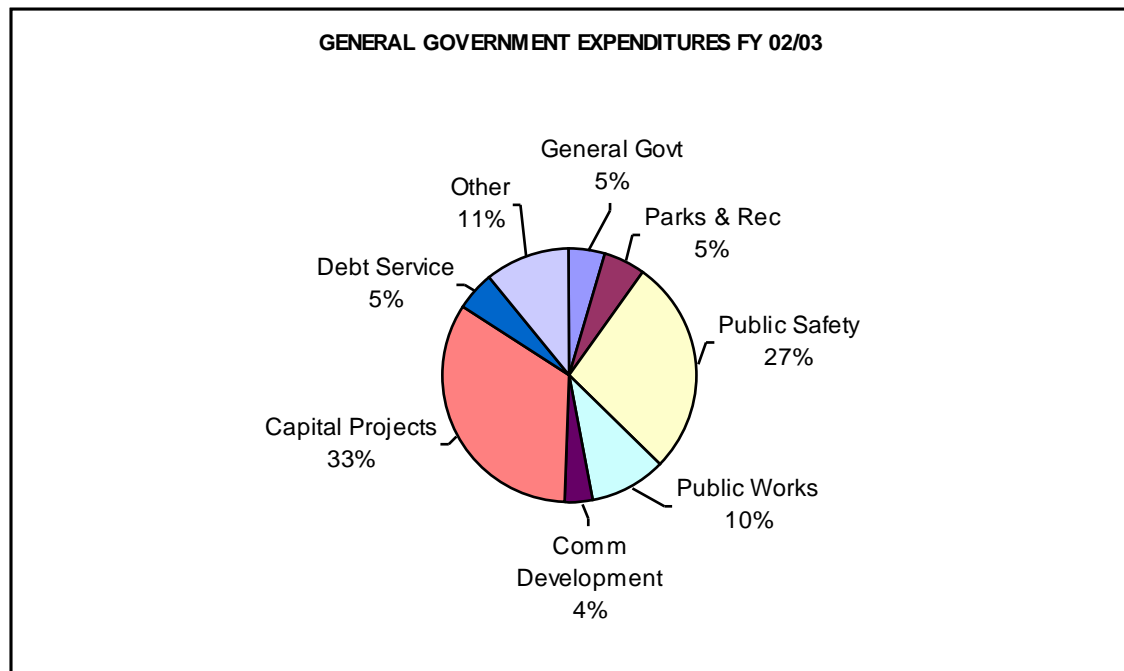


Figure 6

Fund Balances

The difference between a fund's assets and its liabilities is its fund balance. The surplus or deficit of annual total revenues over expenditures of a fund is accumulated in the fund's fund balance. Some portion of fund balance, called reserved fund balance, represents assets that are not currently expendable such as long-term receivables. The unreserved fund balance at the end of a year represents the net assets available for appropriation and expenditure in the subsequent year. Because revenues are not received pro rata over the fiscal year, governmental funds need adequate fund balances to sustain operations just as commercial entities need working capital. A municipal government's fund balance at the end of each fiscal year is one measure of the government's fiscal health. See the Management's Discussion and Analysis section for a discussion of fund balances specific to each fund.

Debt Management

A municipality may finance its activities by incurring various forms of debt, from lease-purchase arrangements to long-term bonds. General obligation debt is bonds or notes secured by the governmental entity's pledge to levy tax adequate to repay the debt. Limited obligation bonds are secured by the pledge of a defined portion of the taxing power of the municipality. Revenue bonds are secured by a pledge of specific revenue sources other than ad valorem taxes such as the revenue from a utility system. See the Management's Discussion and Analysis for additional discussion regarding the City's debt.

Cash Management

Mississippi laws address the investment of surplus money by municipalities and the investment of the proceeds of bonds separately. The investment of surplus money is limited to bonds or other direct obligations of the United States of America or the State of Mississippi or any county or municipality of this state or any school district or obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository or time certificates of deposit in qualified depositories. The City of Biloxi's policy is to invest surplus funds in United States Treasury Bills and bank certificates of deposit with a maturity of six months or less. Treasury Bills are purchased by a municipal depository under a Security Safekeeping Agreement. The City's checking account balances are invested automatically, overnight, under sweep agreements with the City's depositories.

Risk Management

Risk management is an entity's approach to identifying, evaluating and controlling unforeseen expenses. It includes a plan to avoid, prevent and minimize the costs of (1) property loss from accidents, fire, crime, fraud, and natural disaster; (2) liability for the losses of other entities and (3) injury to employees. The City retains the services of independent consultants in loss prevention and control. With the assistance and advice of the City's insurance consultants, the City maintains a mitigation plan involving layers of insurance and self-insured risk retention.

Audit

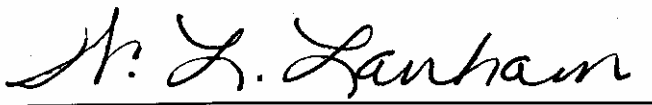
Section 21-35-31, Mississippi Code of 1972 requires Mississippi municipalities to obtain an independent audit of their financial statements. The auditor examines and tests records and other evidence supporting the information reported in the City's financial statements. The auditor's work provides a basis for the auditor to express an opinion concerning the fairness of

the financial statements and whether or not the financial statements are presented in conformance with generally accepted accounting principles. State Department of Audit regulations require the independent auditor to disclose any instance of non-compliance with certain state laws, that may come to their attention during the audit of the City's financial statements. The auditor must test for non-compliance with federal requirements applicable to each major federal program under which the City of Biloxi receives federal financial assistance.

Reporting Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Biloxi for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002.

Respectfully submitted,

A handwritten signature in cursive script, reading "W. L. Lanham", written in black ink. The signature is fluid and elegant, with the first letters of each word being capitalized and prominent.

W. L. Lanham, Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Biloxi,
Mississippi

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

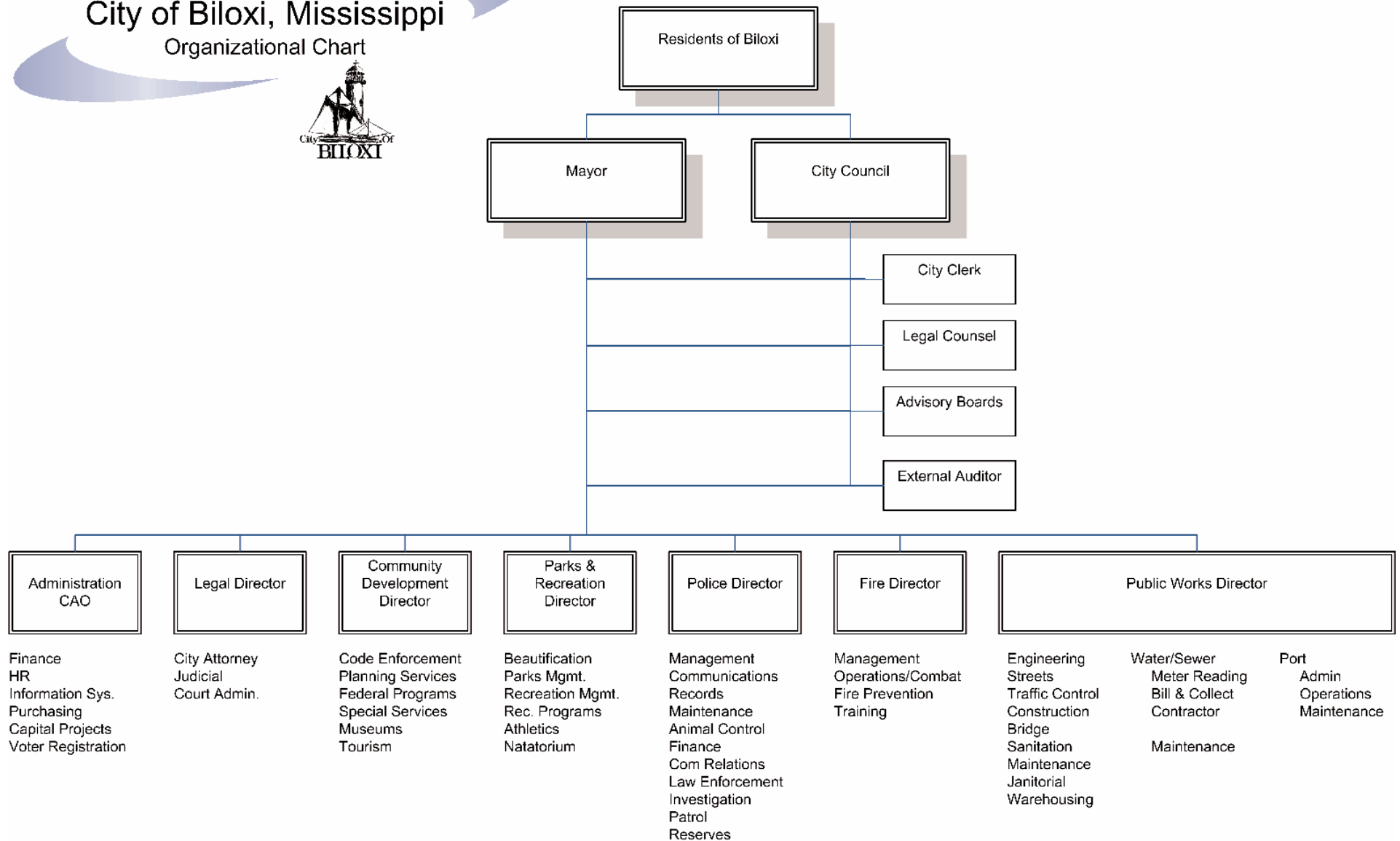


President

Executive Director

City of Biloxi, Mississippi

Organizational Chart



Section II
Financial Section

Independent Auditors' Report

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi (City), as of and for the year ended September 30, 2003 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Biloxi, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

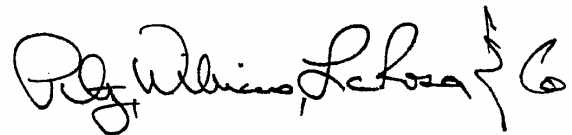
As described in Note I-E, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, ***Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments***, of September 30, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Biloxi, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated January 28, 2004, on our consideration of the City of Biloxi, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 21 through 27 and 81 through 86, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Biloxi, Mississippi's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Biloxi, Mississippi. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, appearing to read "Robert Williams Leboeuf & Co.", with a stylized flourish at the end.

Certified Public Accountants

Biloxi, Mississippi
January 28, 2004

Management's Discussion and Analysis

City of Biloxi, Mississippi

Management's Discussion and Analysis

Brief Discussion of the Basic Financial Statements

The City's management has prepared this discussion and analysis to provide an objective analysis of the City's financial activities and financial condition as presented in the basic financial statements which form a part of the City's Comprehensive Annual Financial Report (CAFR). The basic financial statements are presented in three parts:

Government-wide financial statements focus on the overall financial position and activities of the City, in total, rather than the City's individual funds. In these statements, all governmental activities are consolidated into a column and all business-type activities are consolidated into a column. The two columns are added to present a total for the City as a whole. These statements include the Statement of Net Assets which discloses all of the City's assets and liabilities and the difference which is titled "net assets". Also included is the Statement of Activities which focuses on the cost of services provided and activities performed by the City and the source of money used to pay for the services and activities. The Statement of Activities also explains how the City's net assets increased or decreased during the fiscal year. Both of the government-wide financial statements segregate functions of the City that are supported by taxes and intergovernmental revenues (governmental activities) from those functions that are mainly supported through charges to the consumer (business-type activities). The City's water and sewer utilities are business-type activities.

Fund financial statements present the balance sheets and the statement of revenues, expenditures and changes in fund balance of the City's funds. A Fund is a fiscal and accounting entity with a balanced set of accounts for recording and disclosing the reporting entity's stewardship of resources received and segregated for specific activities including the amount of resources received, the amount expended, liabilities owed and the residual balance (equity) of the funds. The City uses funds to segregate resources and resource use according to the purpose for which the resources were segregated. The objective of fund accounting is to demonstrate compliance with budgetary and legal requirements that apply to the resources segregated in each fund.

Prior to the implementation of Governmental Accounting Standards Board Statement 34 (GASB 34), the City's financial statements presented the City's funds combined by fund type (general, special revenue, debt service, capital projects and proprietary). The City implemented GASB 34 for fiscal year ended September 30, 2003. In these statements, the City's major funds are presented in separate columns and the non-major funds are combined and the totals presented in one column. In the fund financial statements, the distinction between governmental type activities and proprietary type activities is maintained through the presentation of separate statements these two types of funds. The major governmental funds presented are the City's General Fund, the Debt Service Fund, the 2002 TIF Capital Projects Bond Fund and the General Capital Projects Fund. The City's Water and Sewer Fund is presented as a major fund along with the single non-major fund — The Point Cadet Development Commission, in the Statement of Net Assets — Proprietary Funds, the Statement of Revenues, Expenses and Changes in Net Assets — Proprietary Funds, and the Statement of Cash Flows — Proprietary Funds.

Governmental Funds are used to account for governmental functions of the City of Biloxi including administration, executive, legislative, legal (general governmental activities), public safety, public works, parks and recreation, public health and welfare, capital projects and debt service. Presentation of financial information for the City's governmental funds differs from the information presented in the government-wide financial statements because the focus of fund accounting is on near-term inflows and outflows of spendable resources and the balances of spendable resources available at year-end.

Proprietary Funds include Enterprise Funds and Internal Service Funds. Enterprise Funds are used for those activities which are financed, primarily, by charges to users and customers. Internal Service Fund are used for city activities that provide goods or services for the City's various funds and departments such as the City's Self Insurance Fund.

Notes to The Financial Statements provide additional information to explain the data presented in the basic financial statements.

Condensed Data — Governmental And Business-type Activities (comparative data is not presented because this is the first year of presentation of government-wide financial statements)

Table 1
City of Biloxi
Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$ 63,454,507	\$ 11,073,720	\$ 74,528,227
Capital assets	164,794,097	40,415,372	205,209,469
Total assets	<u>\$ 228,248,604</u>	<u>\$ 51,489,092</u>	<u>\$ 279,737,696</u>
Current & other liabilities	\$ 10,175,176	\$ 1,446,246	\$ 11,621,422
Long-term liabilities	64,110,736	1,746,169	65,856,905
Total liabilities	<u>74,285,912</u>	<u>3,192,415</u>	<u>77,478,327</u>
Net assets			
Invested in capital assets net of related debt	\$ 104,918,348	\$ 38,554,905	\$ 143,473,253
Restricted	21,906,281	181,334	22,087,615
Unrestricted	27,138,061	9,560,438	36,698,499
Total net assets	<u>\$ 153,962,690</u>	<u>\$ 48,296,677</u>	<u>\$ 202,259,367</u>

Capital assets include the depreciated cost of the City's buildings, land, infrastructure (streets, drainage, lighting and signals), vehicles, equipment and furnishings. Capital assets, net of the outstanding debt incurred to acquire them, comprises 68% of the City's total net assets. A portion of the City's net assets are restricted to expenditure for specific purposes such as on-going capital projects and debt payments. The remaining, unrestricted net assets may be used by the governing authority to provide future services.

Table 2
City of Biloxi
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues			
Program revenues			
Charges for services	\$ 7,125,198	\$ 9,434,661	\$ 16,559,859
Operating grants	1,649,026		1,649,026
Capital grants and contributions	1,622,550		1,622,550
General revenues			-
Property taxes	16,494,797		16,494,797
Sales taxes	11,551,426		11,551,426
Gaming taxes	20,428,337		20,428,337
Franchise and utility taxes	2,619,001		2,619,001
Other revenue	3,199,403	129,585	3,328,988
Total revenues	64,689,738	9,564,246	74,253,984
Expenses			
General government	4,998,883		4,998,883
Parks and recreations	6,315,711		6,315,711
Public safety	25,810,017		25,810,017
Public works	9,525,166		9,525,166
Community development	6,413,034		6,413,034
Unallocated depreciation	1,664,522		1,664,522
Interest on long-term debt	2,450,726		2,450,726
Water and sewer service		10,224,620	10,224,620
Point Cadet Development Commission		46,885	46,885
Total expenses	57,178,059	10,271,505	67,449,564
Increase (decrease) in net assets before transfers	7,511,679	(707,259)	6,804,420
Transfers	(3,861,291)	3,861,291	
Net increase in net assets	\$ 3,650,388	\$ 3,154,032	\$ 6,804,420

Overall financial position and results of operations

The net assets of governmental activities increased by \$3,650,388 after transfers of net assets to business type activities of \$3,861,291. These transfers were contributions from the City's General Fund to water and sewer system capital projects. The net assets of business type would have declined by \$707,259 during FY 02/03, had the General Fund not contributed part of the cost of water and sewer capital projects.

Analysis of Significant Balances And Operation of Individual Funds

Fund Balances

General Fund

The General Fund is the City's primary operating fund. The City began fiscal year 02/03 with a General Fund balance of \$35,692,616 (as restated) and ended the year with a fund balance of \$28,637,152. The decrease is attributable to the use of General Fund cash, to pay for capital project expenditures. During FY 02/03, the City transferred \$12,189,948 of General Fund cash to the City's Capital Projects Fund to pay project expenses.

Concurrent with the inception of legal gaming in 1992, the annual, ending fund balance of the City's General Fund fund began to increase due to rapid growth in revenues, especially the gaming tax. In the first few years after the advent of Biloxi's casino gaming industry, the governing authority dedicated the gaming tax revenue to capital projects including those projects that were needed to accommodate the industry. The size and number of these projects and the constraints of engineering, planning, staffing and acquisition extended the expenditure of budgeted capital project monies over several years. The lag between the appropriation of resources and actual completion of projects caused a temporary accumulation of fund balance in the City's general fund. At September 30, 2002, the City's General Fund ending fund balance, measured on the budget basis, was \$32,103,637.

The City's progress on its capital projects and the eventual easing of the restriction of gaming tax to capital project funding has reduced the accumulated surpluses (fund balance) in the General Fund to \$24,680,694 (budget basis). Over the next few years, the City's accumulated surpluses should continue to decline as the capital projects are completed. Operating surpluses are no longer being budgeted in the City's General Fund because gaming tax revenues are now being utilized to fund General Fund operations.

2002 TIF Capital Projects Bond Fund — This capital project fund is utilized by the City to segregate the proceeds of a limited obligation bond issue. The \$29,000,000 of bond proceeds will be expended over the life of the capital projects that are funded by the debt issuance. As project costs are incurred cash is transferred from the 2002 TIF Capital Projects Bond Fund to the General Capital Projects Fund to pay the project costs.

Debt Service Fund — During FY02/03 the fund balance of the Debt Service Fund increased by \$1.6 to \$5.6 million dollars. City management has built the fund balance to provide working capital to pay principal and interest on bonded debt that matures in the early months of the fiscal year, October through January, before the bulk of ad valorem tax revenue is received by the City. Ad valorem tax revenue is the primary resource of the Debt Service Fund, therefore the amount of working capital in the fund is directly attributable to the relationship between the amount of debt service maturing during the year and the ad valorem tax millage levied for debt service.

Water and Sewer Fund — Revenues and other Water and Sewer Fund resources were adequate to pay the cost of operations and debt service. However, revenues were not adequate to cover depreciation of system assets. The Water and Sewer Fund paid \$400,000 of the \$4,300,000 expended for improvements in the water and sewer system during FY 02/03. \$3.9 million of water and sewer capital projects spending was funded from the City's General Fund and bond proceeds. Shortly after the end of the fiscal year 02/03, the governing authority raised water and sewer rates to provide for increases in operating expenses and to provide a cushion for the cost of future replacement of system assets.

Budget Variances in the General Fund

During FY 02/03 the City Council adopted twenty-two resolutions amending the General Fund budget. These amendments modified budgeted revenues, expenditures, and transfers. The amendments to General Fund expenditure appropriations increase total appropriations by \$749,363, the most significant increases being supplemental appropriations for the Biloxi Housing Authority totaling \$262,000 and an increase in budgeted insurance expense of \$133,000. Other expenditure appropriation increases included some additional non-departmental expenditures, and appropriations of new grant resources. The City Council's amendments to the original, General Fund revenue budget totaled \$129,510. These revenue amendments added two minor grants received during the year.

Capital Assets Activity

During FY 02/03 the City spent \$28,412,175 for capital asset acquisition and construction. Of this amount \$26,088,737 was expended for construction projects. Construction projects totaling \$13,454,524 were completed including the following:

Cedar Lake Road	\$ 2,463,563
Hwy 90 Lighting Phase IV	383,068
Edgewater Park Drainage	1,329,730
Greater Avenue Drainage	875,600
The Landing Drainage	577,887
Saenger Theatre Phase II	476,142
Pass Road Traffic Improvements	289,722
Crawford Street Drainage	513,953
Holley Street Reconstruction	345,862
Richard Drive at Cedar Lake	1,039,083
Various water/sewer improvements	3,111,310

See Detail Note III — F, for additional information concerning capital asset activity for the fiscal year ended September 30, 2003.

Long-term Debt

At the beginning of the fiscal year the City of Biloxi had outstanding debt consisting of general obligation bonds, one limited obligation bond issue, and pollution control loans. These outstanding debts totaled \$35,487,843 at the beginning of the fiscal year 02/03. During the year, the City borrowed new debt totaling \$29,000,000 and consisting of the following:

- \$6,000,000 General Obligation Bonds, Series 2002 for the Sports Complex and other capital projects;
- \$23,000,000 Tax Increment Limited Obligation Bonds, Series 2002 for road and street development projects included in the Tax Increment Financing Plan Traffic Flow and Thoroughfare Improvement Plan Project. These bonds are the second and final issue of two issues totaling \$35,000,000. These are limited obligation bonds in that the general taxing power of the City is not pledged to the debt obligation. Only the ad valorem tax on the incremental growth of the value properties in the Tax Increment Financing District is obligated to payment of the bonds. The district consists of parcel of real property and personal property utilized by specific gaming developments in the City of Biloxi.

Shortly after the end of FY 02/03, the City issued \$9,800,000 of general obligation bonds for the construction of recreational facilities, fire stations, the Popp's Ferry Road project and other capital projects.

During the fiscal year 02/03, the City repaid \$2,751,532 of principal and \$1,756,170 of interest on all debt. In the Supplemental Information section of the financial report is a schedule titled Schedule of Long-Term Debt which discloses the beginning balances of each debt, new debt incurred and the principal amount paid during the year.

State laws limit the amount of debt a municipality may incur. General obligation bonded debt, excluding debt issued for utility purposes, is limited to 15% of assessed valuation. The City's assessed valuation for tax year 2003 (taxes to be collected fiscal year 03/04) was \$511,760,126; therefore, the limit on general obligation bonded debt during the year was \$76,764,019. The City's outstanding general obligation bonded debt totaled \$25,504,357 at September 30, 2003. All debt, excluding utility revenue debt and tax increment financing bonds, is subject to a limit of 20% of assessed value. This 20% limit is \$102,352,025 during the fiscal year. The City's outstanding debt subject to the 20% limit was \$27,846,217 at September 30, 2003.

When a governmental entity issues bonds, it may obtain a rating from one or more of the bond rating agencies. The rating is a measure of the issuer's ability to repay the debt and provides a means whereby investors may measure the risk of their investment in the bonds. The latest rating given to a City of Biloxi bond issue by Standard and Poor's Ratings Group was a rating of "A".

See Detail Note III — G and the Supplementary Information section of the CAFR for additional information concerning the City's debt.

Contact Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller, William L. Lanham, City of Biloxi, P.O. Box 429, Biloxi, MS 39533.

Basic Financial Statements

City of Biloxi, Mississippi

Statement of Net Assets

September 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Biloxi Port Commission
Assets				
Cash and cash equivalents	\$ 32,379,846	\$ 8,368,344	\$ 40,748,190	\$ 1,561,541
Investments	18,359,083		18,359,083	672,393
Receivables:				
Taxes	5,156,907		5,156,907	
Customer accounts, net	48,766	1,438,828	1,487,594	45,254
Grants and other	1,771,130		1,771,130	20,111
Prepays	709,749	319,827	1,029,576	59,889
Inventories	55,345	25,784	81,129	
Mortgage loans receivable	213,169		213,169	
Land inventory	64,917		64,917	
Restricted assets				
Cash and cash equivalents	4,695,595	920,937	5,616,532	
Capital assets				
Land and construction in progress	65,937,696		65,937,696	463,831
Other (net of accumulated depreciation)	98,856,401	40,415,372	139,271,773	3,910,361
Total assets	<u>\$ 228,248,604</u>	<u>\$ 51,489,092</u>	<u>\$ 279,737,696</u>	<u>\$ 6,733,380</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 5,445,714	\$ 415,793	\$ 5,861,507	\$ 78,865
Internal balances	4,782	(4,782)		
Deferred revenue	41,872		41,872	180,094
Payable from restricted assets				
Accounts payable		25,621	25,621	
Customer deposits payable		895,316	895,316	
Noncurrent liabilities				
Due within one year				
Bonds and notes	3,661,674	114,298	3,775,972	758,690
Compensated absences	1,021,134		1,021,134	70,788
Due beyond one year				
Bonds and notes	56,214,075	1,746,169	57,960,244	4,050,000
Compensated absences	3,063,402		3,063,402	
Claims payable	4,833,259		4,833,259	300,000
Total liabilities	<u>\$ 74,285,912</u>	<u>\$ 3,192,415</u>	<u>\$ 77,478,327</u>	<u>\$ 5,438,437</u>
Net assets				
Invested in capital assets, net of related debt	\$ 104,918,348	\$ 38,554,905	\$ 143,473,253	\$ (290,808)
Restricted for:				
Debt service	5,588,664		5,588,664	875,758
Capital improvements	16,292,928	181,334	16,474,262	1,114,742
Endowment, expendable	24,689		24,689	
Other				8,177
Unrestricted	27,138,061	9,560,438	36,698,499	(412,926)
Total net assets	<u>\$ 153,962,690</u>	<u>\$ 48,296,677</u>	<u>\$ 202,259,367</u>	<u>\$ 1,294,943</u>

The Accompanying Notes are an Integral Part of the Financial Statements

City of Biloxi, Mississippi
Statement of Activities
For the Fiscal Year Ended September 30, 2003

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
	Expenses				Governmental Activities	Business-Type Activities	Total	Biloxi Port Commission
Functions/Programs								
Governmental Activities								
General Government	\$ 4,998,883	\$ 223,257	\$ 43,608	\$ -	(4,732,018)	\$	\$ (4,732,018)	\$
Parks and Recreation	6,315,711	404,137	14,126	217,325	(5,680,123)		(5,680,123)	
Public Safety	25,810,017	1,268,426	597,754		(23,943,837)		(23,943,837)	
Public Works	9,525,166	935,598	17,072	1,405,225	(7,167,271)		(7,167,271)	
Community Development	6,413,034	4,293,780	976,466		(1,142,788)		(1,142,788)	
Unallocated Depreciation, Infrastructure	1,664,522				(1,664,522)		(1,664,522)	
Interest and Other, Long-Term Debt	2,450,726				(2,450,726)		(2,450,726)	
Total Governmental Activities	57,178,059	7,125,198	1,649,026	1,622,550	(46,781,285)		(46,781,285)	
Business-Type Activities								
Water and Sewer	10,224,620	9,416,309				(808,311)	(808,311)	
Point Cadet Development Corporation	46,885	18,352				(28,533)	(28,533)	
Total Business-Type Activities	10,271,505	9,434,661				(836,844)	(836,844)	
Total Primary Government	67,449,564	16,559,859	1,649,026	1,622,550	(46,781,285)	(836,844)	(47,618,129)	
Component Unit								
Biloxi Port Commission	\$ 2,315,718	\$ 1,771,303	\$	\$ 203,684				(340,731)
General revenues								
Property taxes					16,494,797		16,494,797	1,002,945
Sales taxes					11,551,426		11,551,426	
Gaming taxes					20,428,337		20,428,337	
Franchise and utility taxes					2,619,001		2,619,001	
Other taxes					862,366		862,366	
Grants and contributions not restricted to specific programs					1,200,000		1,200,000	
Unrestricted Investment Earnings					735,195	129,585	864,780	24,061
Miscellaneous					401,842		401,842	319,925
Transfers					(3,861,291)	3,861,291		
Total general revenues and transfers					50,431,673	3,990,876	54,422,549	1,346,931
Change in net assets					3,650,388	3,154,032	6,804,420	1,006,200
Net Assets - beginning of period - as restated					150,312,302	45,142,645	195,454,947	288,743
Net assets - end of period					\$ 153,962,690	\$ 48,296,677	\$ 202,259,367	\$ 1,294,943

The Accompanying Notes are an Integral Part of the Financial Statemen

City of Biloxi, Mississippi
Balance Sheet
Governmental Funds
September 30, 2003

	General Fund	General Capital Projects Fund	2002 TIF Capital Projects Bond Fund	Debt Service Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 27,488,238	\$ 755,162	\$	\$ 3,456,224	\$ 680,222	\$ 32,379,846
Investments	16,631		11,601,645	1,570,281	5,170,526	18,359,083
Receivables:						
Taxes	4,959,651			108,329	88,927	5,156,907
Customer accounts, net	48,766					48,766
Grants and other	406,099	699,867		663,442	1,722	1,771,130
Due from other city funds		1,570,923				1,570,923
Prepays	709,749					709,749
Inventories	55,345					55,345
Mortgage loans receivable					213,169	213,169
Land inventory					64,917	64,917
Total assets	<u>\$ 33,684,479</u>	<u>\$ 3,025,952</u>	<u>\$ 11,601,645</u>	<u>\$ 5,798,276</u>	<u>\$ 6,219,483</u>	<u>\$ 60,329,835</u>
Liabilities and Fund Balance						
Liabilities						
Accounts payable	\$ 3,104,004	\$ 2,993,277	\$	\$ 209,612	\$ 159,955	\$ 6,466,848
Due to other city funds	1,934,126		471,596		7,647	2,413,369
Deferred revenue	9,197	32,675				41,872
Total liabilities	<u>5,047,327</u>	<u>3,025,952</u>	<u>471,596</u>	<u>209,612</u>	<u>167,602</u>	<u>8,922,089</u>
Fund Balances						
Reserved for						
Loans receivable					213,169	213,169
Inventories	55,345					55,345
Land inventory					64,917	64,917
Debt service				5,588,664		5,588,664
Endowment, expendable					24,689	24,689
Unreserved reported in						
General fund	28,581,807					28,581,807
Special revenue funds					586,227	586,227
Capital projects funds			11,130,049		5,162,879	16,292,928
Total fund balances	<u>28,637,152</u>	<u></u>	<u>11,130,049</u>	<u>5,588,664</u>	<u>6,051,881</u>	<u>51,407,746</u>
Total liabilities and fund balances	<u>\$ 33,684,479</u>	<u>\$ 3,025,952</u>	<u>\$ 11,601,645</u>	<u>\$ 5,798,276</u>	<u>\$ 6,219,483</u>	<u>\$ 60,329,835</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
as of September 30, 2003

Total fund balances of governmental funds in the balance sheet, page 31	\$ 51,407,746
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	164,794,097
Internal service funds are used by management to account for the costs of the City's risk management, including insurance. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	700,000
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(62,939,153)</u>
Net assets of governmental activities, page 29	<u><u>\$ 153,962,690</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2003

	General Fund	General Capital Projects Fund	2002 TIF Capital Projects Bond Fund	Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Ad valorem taxes	\$ 9,106,855	\$	\$	\$ 4,703,207	\$ 2,684,735	\$ 16,494,797
Licenses and permits	3,661,074					3,661,074
Intergovernmental	33,613,448	1,426,490		1,233,608	976,466	37,250,012
Charges for services	1,129,740					1,129,740
Fines	1,180,109					1,180,109
Other	4,431,423		81,796	54,675	340,633	4,908,527
Total revenues	<u>53,122,649</u>	<u>1,426,490</u>	<u>81,796</u>	<u>5,991,490</u>	<u>4,001,834</u>	<u>64,624,259</u>
Expenditures						
Current:						
General government	4,021,258					4,021,258
Parks and recreation	4,323,630					4,323,630
Public safety	22,412,569					22,412,569
Public works	8,114,028					8,114,028
Community development	2,922,240				1,206,077	4,128,317
Non-departmental	6,180,177					6,180,177
Benefit payments					2,691,822	2,691,822
Debt service						
Principal retirement				2,641,116		2,641,116
Interest and other				1,689,836		1,689,836
Capital outlay, projects		26,681,858				26,681,858
Total expenditures	<u>47,973,902</u>	<u>26,681,858</u>	<u>-</u>	<u>4,330,952</u>	<u>3,897,899</u>	<u>82,884,611</u>
Excess (deficiency) of revenues over expenditures	<u>5,148,747</u>	<u>(25,255,368)</u>	<u>81,796</u>	<u>1,660,538</u>	<u>103,935</u>	<u>(18,260,352)</u>
Other financing sources (uses)						
Bond proceeds			23,000,000		6,000,000	29,000,000
Bond issue cost			(678,170)		(82,720)	(760,890)
Operating transfers in		25,255,368		1,504		25,256,872
Operating transfers out	(12,204,211)		(8,624,301)		(4,017,644)	(24,846,156)
Total other financing sources (uses)	<u>(12,204,211)</u>	<u>25,255,368</u>	<u>13,697,529</u>	<u>1,504</u>	<u>1,899,636</u>	<u>28,649,826</u>
Net change in fund balance	<u>(7,055,464)</u>	<u>-</u>	<u>13,779,325</u>	<u>1,662,042</u>	<u>2,003,571</u>	<u>10,389,474</u>
Fund balances, beginning of year, as restated	<u>35,692,616</u>		<u>(2,649,276)</u>	<u>3,926,622</u>	<u>4,048,310</u>	<u>41,018,272</u>
Fund balances, end of year	<u>\$ 28,637,152</u>	<u>\$ -</u>	<u>\$ 11,130,049</u>	<u>\$ 5,588,664</u>	<u>\$ 6,051,881</u>	<u>\$ 51,407,746</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
for the Fiscal Year Ended September 30, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances of governmental funds, page 33		\$10,389,474
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	23,861,369	
Less: current year depreciation	<u>(4,658,365)</u>	19,203,004
The issuance of long-term debt (bonds payable) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of borrowed principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeds repayments.		
Bond and loan proceeds	(29,000,000)	
Principal payments	<u>2,641,116</u>	(26,358,884)
Some revenues reported in the statement of activities do not provide current financial resources and there are not reported as revenues in governmental funds		
Donated infrastructure	79,737	
Basis of assets sold	<u>(14,260)</u>	65,477
Some expenses reported in the statement of activities do not require the use of current financial resources and there are not reported as expenditures in governmental funds		
Change in long-term compensated absences		(348,683)
Internal service funds are used by management to allocate the cost of self insuring to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities .		
		<u>700,000</u>
Change in net assets of governmental activities, page 30		<u><u>\$ 3,650,388</u></u>

The Accompanying Notes are an Integral Part of the Financial Statemen

City of Biloxi, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended September 30, 2003

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Revenues				
Ad valorem taxes	\$ 8,336,802	\$ 8,336,802	\$ 8,721,705	\$ 384,903
Licenses and permits	3,371,900	3,371,900	3,589,727	217,827
Intergovernmental	33,425,200	33,437,200	33,108,947	(328,253)
Federal & state grants	14,000	143,510	502,860	359,350
Charges for services	985,400	985,400	1,081,600	96,200
Fines	1,160,000	1,160,000	1,180,109	20,109
Other	4,529,532	4,517,532	4,300,229	(217,303)
Total revenues	<u>51,822,834</u>	<u>51,952,344</u>	<u>52,485,177</u>	<u>532,833</u>
Expenditures				
Administration	2,544,665	2,604,665	2,340,231	264,434
Executive	286,109	286,109	254,905	31,204
Legislative	646,598	646,598	573,373	73,225
Legal	545,850	642,848	614,954	27,894
Judicial	223,114	223,114	224,056	(942)
Community development	3,371,689	3,371,689	2,911,662	460,027
Parks & recreation	4,893,588	4,893,590	4,310,304	583,286
Public safety	24,995,944	25,082,724	22,311,325	2,771,399
Public works	8,633,268	8,633,268	8,012,005	621,263
Nondepartmental	5,715,397	6,220,980	6,165,357	55,623
Total expenditures	<u>51,856,222</u>	<u>52,605,585</u>	<u>47,718,172</u>	<u>4,887,413</u>
Excess (deficiency) of revenues over expenditures	<u>(33,388)</u>	<u>(653,241)</u>	<u>4,767,005</u>	<u>5,420,246</u>
Other financing sources (uses)				
Operating transfers out	<u>(29,513,886)</u>	<u>(29,770,660)</u>	<u>(12,189,948)</u>	<u>17,580,712</u>
Net change in fund balances	(29,547,274)	(30,423,901)	(7,422,943)	23,000,958
Fund balances, beginning of year	<u>33,000,000</u>	<u>32,103,637</u>	<u>32,103,637</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,452,726</u>	<u>\$ 1,679,736</u>	<u>\$ 24,680,694</u>	<u>\$ 23,000,958</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Statement of Net Assets
Proprietary Funds
September 30, 2003

	Business-Type Activities-Enterprise Funds			Governmental
	Major Fund	Non-Major Fund		Activities
	Water And Sewer	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash	\$ 8,278,152	\$ 90,192	\$ 8,368,344	\$
Accounts receivable:				
Net of allowance for doubtful accounts	686,797		686,797	
Customer accounts earned but not billed	752,031		752,031	
Due from other city funds	4,782		4,782	
Supplies inventory	25,784		25,784	
Prepaid contractual services	319,827		319,827	
Total current assets	10,067,373	90,192	10,157,565	
Restricted assets:				
Cash	920,937		920,937	4,695,595
Due from other city funds				837,664
Total restricted assets	920,937		920,937	5,533,259
Noncurrent assets:				
Capital assets, net of accumulated depreciation	39,908,363	507,009	40,415,372	
Total noncurrent assets	39,908,363	507,009	40,415,372	
Total assets	50,896,673	597,201	51,493,874	5,533,259
Liabilities				
Current liabilities:				
Account payable	415,793		415,793	
Current portion of notes payable	114,298		114,298	
Total current liabilities	530,091		530,091	
Liabilities payable from restricted assets:				
Customer deposits payable	895,316		895,316	
Accounts payable	25,621		25,621	
Claims contingency payable				4,833,259
Total liabilities payable from restricted assets	920,937		920,937	4,833,259
Non-current liabilities:				
Notes payable, non-current	1,746,169		1,746,169	
Total liabilities	3,197,197		3,197,197	4,833,259
Net assets				
Invested in capital assets, net of related debt	38,047,896	507,009	38,554,905	
Restricted for capital projects	181,334		181,334	
Unrestricted	9,470,246	90,192	9,560,438	700,000
Total net assets	\$ 47,699,476	\$ 597,201	\$ 48,296,677	\$ 700,000

The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Major Fund	Non-Major Fund		
	Water And Sewer	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Operating Revenues				
Charges for services:				
Water sales, sewer revenues				
penalties & installations, net	\$ 8,784,577	\$	\$ 8,784,577	\$
Keesler Air Force Base, sewer	626,460		626,460	
Insurance billings			-	7,134,040
Total charges for service	9,411,037	-	9,411,037	7,134,040
Rent income		18,352	18,352	
Cobra contributions			-	52,055
Other income	5,272		5,272	
Total operating revenues	9,416,309	18,352	9,434,661	7,186,095
Operating expenses				
Personal services	356,025		356,025	
Contracted services	7,009,227		7,009,227	
Other services and charges	1,062,456	24,547	1,087,003	6,486,095
Depreciation	1,730,578	22,338	1,752,916	
Total operating expenses	10,158,286	46,885	10,205,171	6,486,095
Operating income (loss)	(741,977)	(28,533)	(770,510)	700,000
Non-operating revenues (expenses)				
Interest income	129,249	336	129,585	
Interest expense	(66,334)		(66,334)	
Total non-operating revenues (expenses)	62,915	336	63,251	-
Income (loss) before transfers	(679,062)	(28,197)	(707,259)	700,000
Transfers from other City funds	3,861,291		3,861,291	
Change in net assets	3,182,229	(28,197)	3,154,032	700,000
Net assets, beginning of year, as restated	44,517,247	625,398	45,142,645	-
Net assets, end of year	\$ 47,699,476	\$ 597,201	\$ 48,296,677	\$ 700,000

The Accompanying Notes are an Integral Part of the Financial Statements

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Major Fund	Non-Major Fund		
	Water And Sewer	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities				
Receipts from customers	\$ 9,718,702	\$ 18,352	\$ 9,737,054	\$ 7,186,095
Payments to suppliers	(7,972,115)	(24,547)	(7,996,662)	(6,690,540)
Payments for services of employees	(356,025)		(356,025)	
Net cash provided by (used in) operating activities	1,390,562	(6,195)	1,384,367	495,555
Cash flows from non-capital financing activities				
Transfers from other funds	210,515		210,515	
Loans to other funds	(9,754)		(9,754)	(738,036)
Repayment of loans from other funds	(113,989)		(113,989)	
Net cash provided by (used in) non-capital financing activities	86,772	-	86,772	(738,036)
Cash flows from capital and related financing activities				
Transfers from other funds	3,650,776		3,650,776	
Acquisition of capital assets	(4,515,120)		(4,515,120)	
Retirement of debt	(110,510)		(110,510)	
Interest paid on debt	(66,335)		(66,335)	
Net cash provided by (used in) capital and related financing activities	(1,041,189)	-	(1,041,189)	-
Cash flows from investing activities				
Interest and dividends on investments	129,249	336	129,585	
Net cash provided by (used in) investing activities	129,249	336	129,585	-
Net increase (decrease) in cash and cash equivalents	565,394	(5,859)	559,535	(242,481)
Cash and cash equivalents, beginning of period	8,633,695	96,051	8,729,746	4,938,076
Cash and cash equivalents, end of period	\$ 9,199,089	\$ 90,192	\$ 9,289,281	\$ 4,695,595
Classified as:				
Current assets	\$ 8,278,152	\$ 90,192	\$ 8,368,344	\$
Restricted assets	920,937		920,937	4,695,595
Totals	\$ 9,199,089	\$ 90,192	\$ 9,289,281	\$ 4,695,595

Continued on next page

City of Biloxi, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2003
(Continued)

	Business-Type Activities-Enterprise Funds			Governmental
	Major Fund	Non-Major Fund		Activities
	Water And Sewer	Point Cadet Development Corporation	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (741,977)	\$ (28,533)	\$ (770,510)	\$ 700,000
Adjustments not affecting cash				
Depreciation	1,730,578	22,338	1,752,916	
Changes in assets and liabilities:				
Accounts receivable	282,081		282,081	
Prepays	(260,705)		(260,705)	
Accounts payable and accrued expenses	348,273		348,273	(204,445)
Customer deposits	32,312		32,312	
Net cash provided by (used in) operating activities	<u>\$ 1,390,562</u>	<u>\$ (6,195)</u>	<u>\$ 1,384,367</u>	<u>\$ 495,555</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

City of Biloxi, Mississippi
Notes to Financial Statements
September 30, 2003

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City of Biloxi, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2003

I. Summary of Significant Accounting Policies

The financial statements of the City of Biloxi, Mississippi (the City) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) applicable to governmental units. The following is a summary of the more significant accounting policies of the City:

(A) Reporting Entity

The City of Biloxi, Mississippi was incorporated on February 8, 1838 under the laws of the State of Mississippi. The City operates under a Mayor-Council form of government and provides the following services: public safety, (police, fire and civil defense), public works (highways, streets, and sanitation), health and social services, culture-recreation, community development, planning and zoning, and general administrative services.

The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. As required by GAAP, these financial statements present the City of Biloxi (the primary government) and its components. The component units discussed in Note I (B) below are included in the City's reporting entity because of the significance of their operation and financial relationships with the City.

(B) Component Unit Disclosure

The criteria for including component units consist of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blending component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the governments-wide financial statements to emphasize that they are legally separate from the government. The City uses both methods for presenting its component units.

(1) Blended Component Unit: Point Cadet Development Corporation

The Point Cadet Development Corporation (PCDC), a non-profit corporation, is governed by a three member board whose president is always the current Mayor of the City of Biloxi. Although it is legally separate from the City, PCDC is reported as part of the primary government because its sole purpose is to finance, develop and manage the City's designated development areas. PCDC is reported as an enterprise fund using the blending method. PCDC does not issue separate financial statements.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

(2) Discretely Presented Component Unit: Biloxi Port Commission

The Biloxi Port Commission (Commission) was created by the City under state statute and provides various services, including rental of pleasure and commercial berths, industrial building rentals, maintenance and operation of various harbors, wharves, piers, and channels, etc. The Commission consists of a six member board, two of whom are appointed by the City. The Commission has had going concern issues and on July 24, 2003, the City assumed all of its management responsibilities. The Commissions' assets and liabilities will be completely absorbed by the City during the fiscal year ending September 2004. Separate financial information can be obtained from Biloxi Port Commission.

(C) Related Organizations

The Biloxi Municipal Separate School District has been excluded from the reporting entity, because it is an "other stand-alone government". The school district is a related organization of, but not a component unit of the City of Biloxi. The governing authorities of the City do select a majority of the school district's board, but do not have ongoing financial accountability for the school district.

(D) Joint Ventures and Jointly Governed Organizations

Additionally, during its evaluation of potential component units, management identified one joint venture (Harrison County Wastewater and Solid Waste Management District), and two jointly governed organizations (the Harrison County Library System and the Gulfport-Biloxi Regional Airport Authority).

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Generally, the purpose of a joint venture is to pool resources and share the costs, risks and rewards of providing goods or services to the venture participants directly, or for the benefit of the general public or specific service recipients.

A jointly governed organization is similar in nature to a joint venture in that they provide goods and services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing significant financial interest or responsibility by the participating governments

(E) Basic Financial Statements- GASB Statement 34

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The government-wide financial statements, including the *statement of net assets* and the *statement of activities*, report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from the statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely extensively on fees and charges for support. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

(F) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual, i.e., measurable and available to pay liabilities of the current period. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recognized when the related fund liability is incurred, if measurable, except for interest on long-term debt and the long-term portion of accumulated compensated absences, which are recognized when due.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Year-end accruals of ad valorem taxes, sales taxes, gaming taxes and franchise fees are based upon actual collections of amounts remitted to the City within 60 days of year end. Anticipated refunds of taxes are recorded as liabilities and reductions of revenue when they are measurable.

Other licenses and permits, charges for services, fines and penalties, and miscellaneous revenues are recorded as revenues when they are received as they are generally not measurable until actually received; however, charges for services which are measurable are recorded as revenue in the period earned.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33 the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

The financial transactions of the City are recorded in the individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets liabilities, reserves, fund equity, revenues and expenditures / expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City has electively added the General Bond and Interest Fund as a major fund. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal operations. The principal operating revenues of the Water and Sewer fund and PCDC are charges to customers for sales and services. The City insurance funds bill the other funds to cover insurance premiums and claims. Operating expenses for the enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of the basic financial statements in conformity with GAAP requires management to make use of estimates that affect reported amounts in the basic financial statements. Actual results could differ from estimates.

(G) Fund Types and Major Funds

Governmental Funds

Governmental funds are those funds through which the City finances most of its municipal services and are accounted for on the basis of a spending measurement focus. The focus on

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

governmental funds is on the determination of changes in financial position rather than upon net income determination. The City's governmental funds are as follows:

General Fund is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in a separate fund.

General Capital Projects Fund is used to account for the City's capital projects. Revenues are received primarily from the General Fund.

2002 TIF Capital Projects Bond Fund is used to hold the bond proceeds until such time as they are needed to fund expenditures in accordance with the bond issue.

Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Other Non-Major Governmental Funds is a summarization of all of the non-major governmental funds including:

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to businesses. The following is a description of the Proprietary Funds of the City:

Water and Sewer Fund accounts for the activities of the city's water and sewer system.

Non-Major Proprietary Fund —Point Cadet Development Corporation (a blended component unit) accounts for the activities of PCDC.

Internal Service Funds

Like commercial enterprises, a governmental unit may decide to accept certain risk rather than insure against those risks. As part of the City's self-insurance program, Internal Service Self-Insurance Reserve Funds have been established to account for the actual cost of claims, reinsurance, and reserves. The City's Internal Service Funds administer the risk for workman's compensation, liability, automobile, casualty, health insurance and revenue interruption due to catastrophic damage to the gaming industry. The Internal Service Funds in turn charge the other City funds for their allocable share of these net costs.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Non-Current Governmental Assets / Liabilities

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

(H) Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The City considers cash on hand, cash with fiscal agents, demand deposit, certificates of deposit and bank repurchase agreements as cash and cash equivalents. In addition, each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty.

Investments

Investments are stated at fair value.

Accounts Receivable

Accounts receivable are recorded in the Governmental, Business-type, and Component Unit Funds. Where appropriate, an associated allowance for doubtful accounts has been established in the related fund.

Inventories

Governmental and Proprietary Fund inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are consumed.

Capital Assets

Capital assets, including land, buildings, improvements other than buildings, infrastructure (i.e., roads, bridges, street lighting and other similar items) and equipment are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. The City's capitalization levels are as follows: purchased assets costing more than \$500 are capitalized; building renovations are capitalized when their cost exceeds 25% of the buildings previously capitalized cost and if the repair extends the building's estimated useful life; contributed fixed assets are capitalized and recorded at the estimated market value at the time of the contribution. Assets acquired using capital lease obligations are treated in the same manner as purchased fixed assets.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40-50 years
Improvements	40-50 years
Infrastructure	20-60 years
Equipment	3-15 years

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. For Proprietary Funds and the Government-wide Statements, the current portion is the amount estimated to be used in the following year. Since only a portion of compensated absences are expected to be liquidated with expendable available financial resources and therefore shown as a current liability in the fund financial statements, the balance or long term portion represents a reconciling item between the fund level and government-wide presentations.

Post Employment Health Care Benefits

The City does not have costs associated with post-employment benefits for retired employees. The City does allow employees to continue in the group plan after retirement, however, all premiums are paid by the retired employees.

Interfund Transactions

Numerous interfund transactions occur during the normal course of operations of the City. Disbursements made by one fund which are properly chargeable to another fund result in the creation of interfund receivables and payables. This type of transaction is normally settled by a cash transfer between the funds. All other interfund transactions are accounted for as either an operating transfer, a capital transfer or a residual equity transfer. A capital transfer results when a governmental fund permanently transfers funds to a proprietary fund as a capital infusion for the construction of fixed assets, for example. A residual equity transfer represents a transfer of the residual fund balance of a discontinued fund to another fund or a non-recurring or non-routine transfer of equity between funds. Operating and capital transfers are all legally authorized transfers, which are not classified as residual equity transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government wide columnar presentation.

Advances to Other Funds

Various funds have made short-term advances to other funds. These advances, shown as "Due From Other Funds", are temporary in nature, bear no interest, and are considered "available spendable resources". Long-term advances, if any, are those for which the timing of repayment is uncertain: thus, an allocable portion of fund balance would be reserved in governmental funds.

Estimated Insurance Claims Payable

The City is self insured for general liability, property, automobile, workers' compensation and employee health claims. The operating funds are charged premiums by the City's insurance internal service funds. The accrued liabilities for estimated claims represent an estimate of the eventual loss on claims arising prior to year-end including claims incurred and not yet reported.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Bond Discounts, Bond Premiums, and Issuance Costs

In governmental funds, bond discounts, bond premiums and issuance costs are treated as period costs in the year of issue and are shown as “Other Financing Sources (Uses)”.

In proprietary funds (and for governmental activities, in government-wide statements) bond discounts, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts and premiums are presented as a reduction and increase, respectively, of the face amount of the revenue bonds payable, whereas issuance costs are recorded as other assets.

Historically, the City’s bond discount/premiums and issuance cost have not been material.

Deferred Revenue

In the governmental funds, certain revenue transactions have been reported as deferred revenue. Revenue can not be recognized until it has been earned and it becomes available to finance expenditures of the current fiscal period.

In proprietary funds (and for governmental activities in the Government-wide statements) deferred revenue is reported for unearned revenue, regardless of its availability.

II. Stewardship, Compliance and Accountability:

A. Budgetary Data

The procedures used by the City in establishing the budgetary data reflected in the combined financial statements are as follows:

1. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Not later than September 15, the budget is legally enacted through passage of a resolution.
4. The City Council formally adopts an annual operating budget for the General Fund at the “department level” and for special revenue, debt service and capital projects fund types at the “fund type level”. State statutes prohibit the governing authority from expending amounts in excess of the adopted or amended budget. Formal budgetary integration at the “account level” is employed by management for expenditure control purposes. Management may transfer budget between expenditure accounts within each General Fund department but may not exceed the total expenditure limit set for each General Fund department nor the total expenditures level for other fund types. The City

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Council may amend the budget during the fiscal year, by resolution, to reallocate resources.

5. Budgets for the General, Special Revenue, Capital Projects and Debt Service Funds are adopted in accordance with provisions of the State Auditor's Office and not on a basis consistent with accounting principles generally accepted in the United States of America. For budgetary purposes, certain revenues from property taxes, interest on investments, and certain other sources are recognized when received in cash and unexpended appropriations lapse thirty days after the end of the fiscal year. Expenditures may not legally exceed budgeted appropriations and any existing fund balance at the various fund or fund type levels. Budget amounts are as originally adopted, or as amended by the City Council. Budget amendments are made throughout the year (prior to July) as reallocations of funds are necessary or as circumstances dictate.

Since accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of timing differences in the excess (deficiency) of revenues and other sources over expenditures and other uses for the year ended

September 30, 2003 is as follows:

	<u>General Fund</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses, budgetary basis	\$ 7,422,943
Adjustments	
To convert receivables	(558,018)
To convert prepaids	(46,180)
To convert liabilities	309,113
To convert deferred revenue	<u>(72,394)</u>
Totals, GAAP basis	\$ <u>7,055,464</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

B. Excess Expenditures Over Appropriations in Individual Funds

During the year ended September 30, 2003, expenditures and other financing uses exceeded revenues and other financing sources in the following funds:

General Fund	\$ 7,055,464
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Capital Projects Funds

1998 General Obligation Bond Fund	13,941
2000 General Obligation Bond Fund	481,241
1999 TIF Capital Projects Bond Fund	2,340,233

Enterprise Funds (net loss)

Point Cadet Development Corporation	28,197
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C. Deficit Fund Equity

One non-major fund had net equity in a deficit position. The 1999 TIF Capital Projects Bond Fund experienced a deficit of \$8 due to excess funding of capital projects from this fund. This deficit was funded after year end.

III. Detail Notes - All Funds

A. Property and Gaming Tax Revenues

Property Tax

The City levies a tax on real and personal property based on the assessed value of property as compiled by the Harrison County Tax Assessor. The taxes on real and personal property attach as an enforceable lien on the property as of January 1 of each year. Taxes on real and personal property are levied by the City Council at the first regular meeting in September. Through an inter-local agreement, all of the property taxes of the City of Biloxi are collected by the Harrison County Tax Collector and remitted as tax settlements (less an appropriate collection fee) to the City on a monthly basis. Taxes for the Biloxi Municipal Separate School District are also billed and collected by the county and remitted to the schools through the City.

In accordance with the Mississippi Code of 1972, as amended, the City Council may levy taxes in any amount for general revenue purposes and general improvements. However, taxes collected for any one year may not exceed one hundred and ten percent (110%) of the taxes collected for the prior assessment year. For purposes of the computation, taxes collected in the current year resulting from property added to the tax assessment roll are excluded from the computation. In addition, the City Council may levy additional taxes for specific purposes, such as culture and recreation, as authorized by law.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The tax levies for the calendar years 2003, 2002 and 2001 (taxes collected in the fiscal years ending 9/30/04, 9/30/03 and 9/30/02) are as follows:

	<u>9/30/04</u> Millage	<u>9/30/03</u> Millage	<u>9/30/02</u> Millage
City Funds			
General Fund	15.65	15.65	15.65
Special revenue funds:			
Disability and Relief (Pension) Funds	4.50	5.50	5.50
Debt Service Funds	7.70	6.70	6.70
Solid waste collection and disposal	<u>2.25</u>	<u>2.25</u>	<u>2.25</u>
Total City administered funds	<u>30.10</u>	<u>30.10</u>	<u>30.10</u>
School Funds			
District maintenance	32.34	30.84	26.00
Minimum program			1.09
School debt	<u>4.34</u>	<u>4.34</u>	<u>4.34</u>
Total School administered funds	<u>36.68</u>	<u>35.18</u>	<u>31.43</u>
Total levy	<u><u>66.78</u></u>	<u><u>65.28</u></u>	<u><u>61.53</u></u>

Gaming Revenue

In 1992, the citizens of Harrison County voted to allow dockside casino gaming as defined by the Mississippi Gaming Control Act of 1990. In August of 1992, the first casino opened at Biloxi's Point Cadet development. As of September 30, 2003, there were nine casinos operating within the City of Biloxi. Gaming activities are taxed in a variety of ways. The State of Mississippi levies a sliding scale tax on gross gaming revenue, of which Harrison County and the City of Biloxi receive .4 to .8 percent. This tax is divided 72% to the County, and 28% to the City of Biloxi. The allocation is based upon the population demographics of the last official census. In addition to the State tax, the City of Biloxi, through local ordinance in accordance with state law, levies an additional 3.2% tax on gross gaming revenues. This tax is distributed as follows: 60% to the General Fund, (20% of which is designated for public safety); 20% to the Biloxi Public Schools; 10% to Harrison County for public safety; and 10% to Harrison County Schools. In addition to the taxes on gross gaming revenue, the State, City and County annually receive licensing fees and permits from each casino for each gaming device. The following is an analysis of the gaming revenues reported in the General Fund:

Local option 3.2% tax	\$ 16,556,387
Local share of state tax	1,832,126
Gaming licenses and permits	<u>2,039,824</u>
Total gaming revenues	<u><u>\$ 20,428,337</u></u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

B. Deposits and Investments

The City deposits funds in financial institutions selected by the City Council in accordance with state statutes. Furthermore, the City invests excess funds in various investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes. Deposits and investments are summarized below.

Deposits —

Deposits consist of cash amounts in demand accounts and certificates of deposit. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. By using this multiple financial institution collateral pool, all of the City's deposits at September 30, 2003 fall into the credit risk category of *"Insured or collateralized with securities held by the entity or by its agent in the entity's name"*. Deposits are summarized as follows:

	Reported Amount	Bank Balance
Cash	\$ 16,115,202	\$ 18,362,098
Certificates of deposit	30,249,520	30,249,520
Total deposits	<u>\$ 46,364,722</u>	<u>\$ 48,611,618</u>

Cash and cash equivalents for cash flows of Proprietary Funds include all cash accounts and certificates of deposit.

Investments —

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved. At September 30, 2003, investments consisted of the following:

	Reported Amount	Fair Value
Investments not categorized:		
Money Market Mutual Funds	<u>\$ 18,359,083</u>	<u>\$ 18,359,083</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

C. Receivables

The Statement of Net Assets of the City of Biloxi includes the following receivables at September 30, 2003:

Taxes receivable:

Utility franchise taxes	\$ 674,726
Sales taxes	2,065,483
Ad valorem taxes	643,690
Gaming taxes and fees	<u>1,773,008</u>
Total taxes receivable	<u>\$ 5,156,907</u>

Customer accounts receivable:

Garbage fees	\$ 57,508
Water and sewer utility charges (billed)	757,835
Less allowance for doubtful accounts	(79,780)
Customer accounts receivable earned but not billed	<u>752,031</u>
Total customer accounts receivable, net	<u>\$ 1,487,594</u>

Other receivables:

Special assessments	\$ 97,280
Federal and state grants	702,866
Due from county for debt service	663,442
Liquor privilege tax	35,250
County road tax	28,045
Other	<u>244,247</u>
Total other receivables	<u>\$ 1,771,130</u>

D. Prepaids

Prepaids at September 30, 2003 consist of the following:

Prepaid insurance premiums	\$ 709,749
Contractual services	<u>319,827</u>
Total prepaids	<u>\$ 1,029,576</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

E. Interfund Receivables and Payables

<u>Individual Interfund Balances at September 30, 2003</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
General Capital Projects to fund project cost	\$	\$ 1,086,708
Water and sewer		9,754
Claims contingency fund for claims and expenses		<u>837,664</u>
Total General Fund		<u>1,934,126</u>
General Capital Projects Fund:		
General Fund	1,086,708	
2002 TIF Capital Projects Bond Fund	471,596	
GOPI 2002 Bond Fund	7,608	
1999 TIF Capital Projects Bond Fund	39	
Water and Sewer Fund	<u>4,972</u>	
Total General Capital Projects Fund	<u>1,570,923</u>	
2002 TIF Capital Projects Bond Fund		
General Capital Projects to fund project cost		<u>471,596</u>
Other Nonmajor Governmental Funds		
GOPI 2002 Bond Fund to General Capital Projects		7,608
1999 TIF Capital Projects Bond Fund to General Capital Projects		<u>39</u>
Total other nonmajor governmental funds		<u>7,647</u>
Enterprise Fund:		
Water and Sewer Fund from General Fund	<u>9,754</u>	<u>4,972</u>
Internal Service Self-Insurance:		
Claims Contingency Fund from General Fund for claims	<u>837,664</u>	
Totals	<u>\$ 2,418,341</u>	<u>\$ 2,418,341</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The composition of interfund transfers for the year ended September 30, 2003:

<u>Transfers From</u>	<u>Transfers Into</u>		
	General Capital Projects Fund	Debt Service Fund	Total
General Fund	\$ 12,204,210	\$ _____	\$ 12,204,210
2002 TIF Capital Projects Bond Fund	<u>8,622,797</u>	<u>1,504</u>	<u>8,624,301</u>
Nonmajor governmental funds			
GOPI 2002 Bond Fund	1,163,336		1,163,336
GOPI 1998 Bond Fund	15,719		15,719
GOPI 2000 Bond Fund	485,475		485,475
1999 TIF Capital Projects Bond Fund	<u>2,353,114</u>	<u> </u>	<u>2,353,114</u>
Total nonmajor governmental funds	<u>4,017,644</u>	<u> </u>	<u>4,017,644</u>
Enterprise Funds			
Water and Sewer Fund	<u>410,717</u>	<u> </u>	<u>410,717</u>
Totals	\$ <u>25,255,368</u>	\$ <u>1,504</u>	\$ <u>25,256,872</u>

The City transfers funds from the General Fund, various bond funds and the Water and Sewer Fund to pay for project cost incurred.

City of Biloxi, Mississippi
Notes to Financial Statements
(Continued)

F. Capital Asset Activity

Capital asset activity for the year ended September 30, 2003 was as follows:

	Balance October 1, 2002 (as restated)	Increases	Decreases	Balance September 30, 2003
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 20,026,508	\$ 1,231,276	\$ 42,351	\$ 21,215,433
Construction in progress	32,944,122	22,121,355	10,343,214	44,722,263
Total capital assets not being depreciated	<u>52,970,630</u>	<u>23,352,631</u>	<u>10,385,565</u>	<u>65,937,696</u>
Capital assets being depreciated				
Buildings	30,517,507	851,566	92,828	31,276,245
Improvements other than buildings	4,241,834	160,773	10,908	4,391,699
Machinery and equipment	21,443,058	1,715,643	997,018	22,161,683
Infrastructure - streets and drainage	86,171,706	8,242,708		94,414,414
Total capital assets being depreciated	<u>142,374,105</u>	<u>10,970,690</u>	<u>1,100,754</u>	<u>152,244,041</u>
Less accumulated depreciation for:				
Buildings	7,594,910	631,268	92,828	8,133,350
Improvements other than buildings	2,990,523	177,521		3,168,044
Machinery and equipment	11,975,585	2,185,054		14,160,639
Infrastructure - streets and drainage	26,261,085	1,664,522		27,925,607
Total accumulated depreciation	<u>48,822,103</u>	<u>4,658,365</u>	<u>92,828</u>	<u>53,387,640</u>
Net capital assets being depreciated	<u>93,552,002</u>	<u>6,312,325</u>	<u>1,007,926</u>	<u>98,856,401</u>
Net governmental activities assets	<u>\$ 146,522,632</u>	<u>\$ 29,664,956</u>	<u>\$ 11,393,491</u>	<u>\$ 164,794,097</u>
Business type activities				
Capital assets, not being depreciated:				
Land	\$ 365,412	\$	\$	\$ 365,412
Construction in progress	1,759,576	4,011,433	3,111,310	2,659,699
Total Capital assets not being depreciated	<u>2,124,988</u>	<u>4,011,433</u>	<u>3,111,310</u>	<u>3,025,111</u>
Capital assets being depreciated				
Equipment	54,884	902,716		957,600
Pier improvements	446,774			446,774
Water and sewer system	64,154,607	2,712,281		66,866,888
Total capital assets being depreciated	<u>64,656,265</u>	<u>3,614,997</u>		<u>68,271,262</u>
Less accumulated depreciation for:				
Equipment	52,137	43,776		95,913
Pier improvements	33,509	22,339		55,848
Water and sewer system	29,042,438	1,686,802		30,729,240
Total accumulated depreciation	<u>29,128,084</u>	<u>1,752,917</u>		<u>30,881,001</u>
Net capital assets being depreciated	<u>35,528,181</u>	<u>1,862,080</u>		<u>37,390,261</u>
Net business type activities assets	<u>\$ 37,653,169</u>	<u>\$ 5,873,513</u>	<u>\$ 3,111,310</u>	<u>\$ 40,415,372</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 133,696
Community development	95,897
Cultural affairs	273,614
Parks and recreation	329,711
Public safety	1,949,756
Public works	211,169
Infrastructure	<u>1,664,522</u>
Total depreciation expense — governmental activities	<u>\$ 4,658,365</u>
Business-type activities	
Water and sewer	\$ 1,730,578
Point Cadet Development Corporation	<u>22,338</u>
Total depreciation expense — business-type activities	<u>\$ 1,752,916</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

G. Long-Term Debt

The following is a summary of bond and other long-term debt transactions of the City for the year ended September 30, 2003:

	Beginning <u>10/01/02</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>9/30/03</u>	Amounts Due Within <u>One Year</u>
Governmental activities					
General Obligation Bonds and Notes	\$ 21,736,865	\$ 6,000,000	\$ 2,232,508	\$ 25,504,357	\$ 2,537,508
Limited Obligation Bonds	11,780,000	23,000,000	408,608	34,371,392	1,124,166
Compensated absences	<u>3,619,626</u>	<u>2,042,176</u>	<u>1,577,266</u>	<u>4,084,536</u>	<u>1,021,134</u>
Total governmental activities	<u>\$ 37,136,491</u>	<u>\$ 31,042,176</u>	<u>\$ 4,218,382</u>	<u>\$ 63,960,285</u>	<u>\$ 4,682,808</u>
Business-type Activities					
Water and Sewer, pollution control loans	<u>\$ 1,970,978</u>	<u>\$ _____</u>	<u>\$ 110,510</u>	<u>\$ 1,860,468</u>	<u>\$ 114,298</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Bonds, notes, and other long-term debt payable at September 30, 2003 are comprised of the following individual issues:

	<u>Original Issue</u>	<u>Range of Interest Rates</u>	<u>Amount Outstanding 9/30/03</u>
Governmental Activities			
General Obligation Bonds and Notes:			
General Obligation Bonds of 1988-A, due in annual installments of \$90,000 through 6/1/2008	\$ 1,200,000	7.2%-7.6%	\$ 450,000
General Obligation Bonds of 1988-D, due in annual installments of \$50,000 to \$75,000 through 2/15/2008	750,000	7.2%-7.5%	370,000
General Obligation Bonds of 1989-A, due in annual installments of \$50,000 to \$75,000 through 2/15/2009	750,000	7.0%	370,000
Refunding Bond of 1995, due in annual installments of \$615,000 to \$685,000 through 2/1/2010	4,135,000	4.8%-6.5%	2,340,000
General Obligation Bonds series 1998, due in annual installments of \$570,000 to \$895,000 through 12/1/2013	10,000,000	4.1%-5.3%	7,955,000
General Obligation Bonds, series 2000, due in annual installments of \$590,000 to \$825,000 through 5/1/2010	6,500,000	4.75%-5.50%	4,915,000
Airport General Obligation Bonds 2000, due in annual installments of \$90,000 to \$130,000 through 5/1/2010	1,000,000	4.875%-5.50%	760,000
Mississippi Development Bank promissory note, due in monthly installments of \$25,209 plus interest through 6/30/2011. Interest is based upon The Bond Market Association (TBMA) index plus 105 basis points	3,025,000	TBMA plus 1.05%	2,344,357
General Obligation Bonds, series 2002, due in annual installments of \$180,000 to \$450,000 through 12/1/2022	6,000,000	3.70%-5.25%	6,000,000
Total General Obligation Bonds			<u>\$ 25,504,357</u>
Limited Obligation Bonds and Notes:			
Tax Increment Financing, 1999, due in annual installments of \$410,000 to \$2,680,000 through 10/1/2019	\$12,000,000	5.30%-7.50%	\$ 10,890,000
Mississippi Development Association loan, due in annual installments of \$33,608, secured by City sales tax, payable by Harrison County Development Commission	500,000	3.00%	481,392
Tax Increment Financing, 2002, due in annual installments of \$695,000 to \$1,760,000 through 11/1/2022	23,000,000	1.85%-5.2%	23,000,000
Total Limited Obligation Bonds and Notes			<u>34,371,392</u>
Compensated absences			<u>4,084,536</u>
Total governmental long-term debt			<u>\$ 63,960,285</u>
Business Type Activities			
Water and Sewer Fund			
State of Mississippi Pollution Control Loans, due in varying installments through 7/15/2017	2,885,688	3.0%-4.5%	<u>\$ 1,860,468</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The annual requirements to pay principal and interest on the bonds, notes and loans outstanding at September 30, 2003 follow and include interest on the variable rate debt.

Year Ended September 30,	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Limited Obligation Bonds		Water and Sewer Pollution Control Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 2,537,508	\$ 1,328,898	\$ 1,124,166	\$ 1,665,839	\$ 114,298	\$ 62,537
2005	2,662,497	1,052,809	1,179,741	1,623,707	118,238	58,503
2006	2,782,496	911,654	1,240,333	1,578,050	122,419	54,321
2007	2,272,496	786,802	1,305,943	1,526,465	126,754	49,987
2008	2,387,496	671,761	1,371,572	1,468,891	131,247	45,494
2009-2013	8,256,864	1,827,497	7,977,962	6,317,094	638,270	155,906
2014-2018	2,530,000	710,120	10,216,751	4,205,866	437,649	63,318
2019-2023	2,075,000	261,705	9,954,924	1,441,113	171,593	7,174
Totals	<u>\$ 25,504,357</u>	<u>\$ 7,551,246</u>	<u>\$ 34,371,392</u>	<u>\$ 19,827,025</u>	<u>\$ 1,860,468</u>	<u>\$ 497,240</u>

The City's legal debt limit for general obligation bonds is as follows:

Assessed valuations 2003 (inside the City):

Real property	\$ 351,980,870
Personal property	88,952,125
Public utility	19,710,243
Autos, estimated	<u>51,116,888</u>
Total assessed valuations	<u>\$ 511,760,126</u>

Fifteen percent (15%) of total assessed valuation	\$ 76,764,019
Less outstanding general issues at 9/30/03	<u>25,504,357</u>
Legal debt margin	<u>\$ 51,259,662</u>

The City Council annually adopts a resolution providing for the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City. The millage rate for the year ended September 30, 2003, was 6.70 mills or \$6.70 per \$1,000 of assessed value.

Other general long-term debt of the Enterprise Funds is \$1,860,468 of pollution control/state revolving loans from the State of Mississippi. The State Tax Commission, in accordance with a signed agreement with the City of Biloxi is currently deducting \$14,737 each month from the sales tax remittances to the City to apply as note payments on these loans.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The City has authorized the issuance of limited tax port bonds for the purpose of making improvements to property belonging to the Biloxi Port Commission. The bonds are secured by an irrevocable pledge of the avails of a direct and continuing one (1) mill ad valorem tax to be levied by Harrison County, Mississippi. The bonds are payable solely from the avails of the Harrison County tax levy and do not constitute an indebtedness of the City of Biloxi, the State of Mississippi or any political subdivision of the state within the meaning of any provision or limitation of the Constitution or statutes of the State of Mississippi and do not give rise to any pecuniary liability of the City of Biloxi, the State of Mississippi or any political subdivision of the State of Mississippi or a charge against the general credit or taxing powers of any of them other than the limited tax pledged by Harrison County, Mississippi. At September 30, 2003, the aggregate, outstanding principal amount of the issues was \$4,665,000.

H. Retirement Plans

**Firemen's and Policemen's Disability and Relief Plan and
Employee's Disability and Relief Plan**

All firemen and policemen hired prior to March 1, 1976, are covered by the Firemen's and Policemen's Disability and Relief Plan. All other City employees employed prior to February 5, 1975, are covered by the Employees' Disability and Relief Plan. Both the Firemen's and the Policemen's Disability and Relief Plan and the Employer's Disability and Relief Plan are single-employer defined benefit plans administered by the Public Employees Retirement System of Mississippi.

Under the provisions of Chapter No. 511 of the General Laws of the State of Mississippi, 1987, effective October 1, 1987, the administrative responsibility for these retirement systems was assigned to the Mississippi Municipal Retirement System, a program of the Public Employees' Retirement System of Mississippi. The City is authorized by law to require membership contributions from 1% to a maximum of 10% of the total compensation of each participating employee. City employee contributions are 9%. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the Municipal Retirement Systems' Disability and Relief Plans. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601)359-3589 or 800-444-PERS. Based upon annual actuarial data provided by PERS, the City levies a tax millage sufficient to fund the current obligations for retirement payments and also provide the recommended amount to reduce the balance of the unfunded employer liability. For the year ended September 30, 2003, the combined millage was 5.5 mills.

Current membership in the City's Mississippi Municipal Retirement System is composed of the following:

Active members	6
Retirees and beneficiaries	<u>164</u>
Total	<u><u>170</u></u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Participating employees who retire, regardless of age, with at least 20 years of credited service are entitled to an annual retirement allowance, payable monthly in an amount equal to 50% of their average monthly compensation plus an additional 1.7% for each year of credited service in excess of 20 years with a maximum of 66 2/3% of average monthly compensation. Average monthly compensation is the average for the last 6 months of service. Certain death and disability benefits are also provided by these plans which are governed by State statute and City ordinances.

The Annual Required Contribution (ARC)

(based on the valuation as of September 30, 2002)

Normal	\$ 39,483
Accrued liability	<u>1,586,159</u>
Total	<u>\$ 1,625,642</u>

Additional information as of September 30, 2002 follows.

Valuation date	9/30/02
Actuarial cost method	entry age
Amortization method	level dollar closed
Remaining amortization period	32 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases**	6.00%
 * Includes price inflation at	 3.75%
** Includes wage inflation at	4.00%
 Cost of living adjustments	 3% per year, not to exceed 30%, for each year of retirement after 6/30/00, in addition to any previously granted COLAs

During the year ended September 30, 2002, contributions totaling \$2,751,384 (\$2,710,779 employer and \$40,605 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the system as of September 30, 2000. The employer contributions consisted of \$48,811 for normal cost and administrative expenses and \$2,661,968 for amortization of the unfunded actuarial accrued liability.

During the year ended September 30, 2003, contributions totaling \$2,714,876 (\$2,684,734 employer and \$30,142 employee) were made.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Schedule of employer contributions:

Fiscal year 10-1 / 9-30	Annual Required Contribution	Percentage Contributed
1999-00	\$ 1,528,671	131.7
2000-01	1,480,273	180.4
2001-02	1,729,519	156.7
2002-03	1,625,642	165.2

Net Pension Obligation (NPO) as of September 30, 2003 was zero.

Actuarial Accrued Liability (AAL)	(in thousands)
Retirees and beneficiaries currently receiving benefits	\$ 22,837
Active members	3,123
Vested terminated members not yet receiving benefits	<u>0</u>
Total actuarial accrued liability	25,960
Less: Actuarial value of assets	<u>7,483</u>
Unfunded Actuarial Accrued Liability	\$ <u>18,477</u>

During the year ended September 30, 2002, the plan experienced a net change of \$(132) thousand in the AAL. Of the change, \$0 thousand was attributable to plan amendments and \$0 thousand was attributable to a change in actuarial assumption changes.

PERS' Defined Benefit Pension Plan

All full-time City employees hired after June 30, 1987, participate in the Public Employees' Retirement System of Mississippi (PERS). Other City employees hired prior to July 1, 1987 may elect to participate in the retirement system under an option offered by PERS.

Plan Description: The City of Biloxi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444 PERS.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Funding Policy: PERS' members are required to contribute 7.25% of their annual covered salary and City of Biloxi is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Biloxi's contributions to PERS for the years ending September 30, 2003, 2002, and 2001 were \$2,009,009 and \$1,835,237, and \$1,681,044, respectively.

Deferred Compensation Plan

The City also offers to its employees voluntary participation in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, Group Flexible Fund Retirement Contracts, administered by Nationwide Retirement Solutions, Inc., permits employees to defer a portion of their salary until future years. All plan assets are held in trust by Nationwide for the exclusive benefit of the participants and their beneficiaries and not subject to the claims of the City's general creditors. Accordingly, the assets and liabilities for the compensation deferred by plan participants is not reflected in the City's financial statements. During the year ended September 30, 2003, contributions by participants employed by the City totaled \$245,078.

I. Community Development Block Grant Program

Status of Grants

The City of Biloxi is awarded an entitlement grant every year by the Department of Housing and Urban Development Community Block Grant Program. The following represents the status of the award of grant funds as of September 30, 2003:

	Award	Drawn Prior to FYE 9/30/03	Drawn During FYE 9/30/03	Balance
CDBG B-00-MC-28-0001	\$ 747,000	\$ 632,993	\$ 114,007	\$
CDBG B-01-MC-28-0001	773,000		773,000	
CDBG B-02-MC-28-0001	763,000		89,459	
CDBG B-03-MC-28-0001	598,000			673,541
Totals	<u>\$ 2,881,000</u>	<u>\$ 632,993</u>	<u>\$ 976,466</u>	<u>598,000</u> <u>\$ 1,271,541</u>

Waterfront Development

Through the use of certain Department of Housing & Urban Development (HUD) grants and loans, the City has acquired and developed property commonly known as the Point Cadet Waterfront Development Project. These federal grants and loans contain restrictions which require that 6% of the income (such as rents), generated by these properties, be restricted as to use for CDBG eligible activities only.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The City of Biloxi has negotiated three leases with the Riverboat Corporation of Mississippi who operates the "Isle of Capri Hotel and Casino" at the Point Cadet Waterfront Development. A portion of the lease revenues are considered program income under the CDBG and HUD Section 108 loan programs, and are restricted to use for such eligible purposes. The initial lease (casino lease), dated August 1, 1992, calls for an initial term of seven (7) years with seven additional five (5) year renewal options. Minimum annual rentals are \$500,000. Minimum annual rentals for each renewal option period are adjusted by the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional annual amount equal to three percent (3%) of the tenant's gross annual revenues in excess of \$25,000,000.

Another lease (hotel lease), dated April 13, 1994, calls for an initial term of twenty-five (25) years with six additional ten (10) year renewal options and a final option period with a termination date of December 31, 2085. Minimum annual rentals began at \$404,000 and are adjusted every five years by reference to the Consumer Price Index. In addition to the minimum annual rentals, the lease calls for an additional amount equal to four percent (4%) of the tenant's gross revenues.

A third lease (podium lease), dated August 15, 2002, calls for an initial term of forty (40) years (although the tenant has the right to terminate on July 31, 2009, and on every fifth anniversary of that date), with one additional twenty-five (25) year renewal option. The final period would terminate on August 14, 2067. Minimum rent is computed as a function of the total annual minimum and percentage rent from the casino lease and hotel lease. When coupled with four percent (4%) of the tenant's gross revenues from the property covered by the podium lease, the annual guaranteed rent is \$2,733,000 plus one-third (1/3) of all scheduled contingent increases. The guaranteed rent is to be adjusted every five years by reference to the Consumer Price Index.

Mortgage Loans Receivable

Under the CDBG Program, the City of Biloxi makes installment mortgage loans to eligible parties. These loans are secured by a deed of trust and have varying interest rates and terms.

Mortgage loans receivable at September 30, 2003, consisted of the following:

Nixon Street home acquisition mortgages	\$ 15,748
Rental rehabilitation loans	41,109
Revolving Loan Program	150,670
Residential rehabilitation loans	<u>5,642</u>
Total deferred mortgage loans receivable	<u>\$ 213,169</u>

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

J. Self-Insured Risk, Claims and Other Contingencies

As described in Note 1 to the financial statements, the City has established a self-insurance risk retention program administered through an internal service fund. The following is a summary of the City's insurance coverage and self-insured risk retention (SIR):

Property damage

Per occurrence deductible (SIR)	\$ 50,000
Specific excess coverage in force	30,000,000

Workers' compensation

Per occurrence deductible (SIR)	300,000
Specific excess coverage in force	Statutory

General and other liability coverage

Per occurrence deductible (SIR)	\$ 100,000
Specific excess coverage in force	500,000

Annual aggregate coverage to:

General liability	1,500,000
Law enforcement liability	1,500,000
Automobile liability	No Limit

Health

Per individual deductible (SIR)	100,000
Annual aggregate risk of loss through deductibles	5,474,299
Specific excess coverage in force	1,000,000

The following is a summary of the City's self-insurance reserves at September 30, 2003:

	Employee Medical Claims	Property, Liability & Workers' Compen- sation	Total
Total estimated liability and reserves —			
October 1, 2001	\$ 2,219,694	\$ 1,798,310	\$ 4,018,004
Claims incurred and changes in estimates	3,538,986	543,121	4,082,107
Claims paid	<u>(2,799,883)</u>	<u>(262,525)</u>	<u>(3,062,408)</u>
Total estimated liability and reserves —			
September 30, 2002	\$ 2,958,797	\$ 2,078,906	\$ 5,037,703
Claims incurred and changes in estimates	3,924,751	385,040	4,309,791
Claims paid	<u>(4,256,862)</u>	<u>(257,373)</u>	<u>(4,514,235)</u>
Total estimated liability and reserves —			
September 30, 2003	<u>\$ 2,626,686</u>	<u>\$ 2,206,573</u>	<u>\$ 4,833,259</u>

The City's reserves, including estimates for claims incurred but not reported, are developed by the City's third-party claims administrator. Administrative officials have reviewed the reserve estimates and consider them fairly stated. Additionally, the liability has been actuarially evaluated and found to be reasonable.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

The City is involved in various other legal matters arising during the normal course of business activities. Management, after consulting legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the City.

K. Related Party Commitments

Joint Venture

The City of Biloxi is a member of the Harrison County Wastewater and Solid Waste Management District (District) which was established by an act of the Mississippi Legislature to provide for adequate wastewater treatment and solid waste disposal services to the citizens of Harrison County, Mississippi. The governing board is comprised of one member from each of the cities and county who are members of the District. Through a fifty-year contract, the City of Biloxi is obligated to pay monthly, its pro-rata share of all operating, administrative, and capital costs of the District. Additionally, the City is jointly and severally liable for all of the liabilities of the District. The District is classified as a joint venture between the City of Biloxi and the other members. The following is a synopsis of the District's financial statements as of and for the year ended September 30, 2003, a complete copy of which is on file at the administrative offices of the District.

Harrison County Wastewater and Solid Waste Management District Synopsis

Balance Sheet

Assets

Current assets	\$ 2,393,594
Restricted assets	43,806,530
Property, plant and equipment	78,531,864
Deferred charges	<u>4,109,005</u>
Total assets	\$ <u>128,840,993</u>

Liabilities & Fund Equity

Liabilities

Current, unrestricted	\$ 2,386,258
Current, restricted	6,043,693
Long-term liabilities	<u>123,259,285</u>
Total liabilities	<u>131,689,236</u>

Fund equity	<u>(2,848,243)</u>
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Total liabilities and fund equity	\$ <u>128,840,993</u>
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City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Statement of Revenues and Expenses

Operating revenues	\$ 14,489,768
Operating expenses	(14,441,155)
Depreciation and amortization	(4,394,920)
Non-operating revenues (expenses)	<u>2,013,760</u>
Net income (loss)	\$ <u>(2,332,547)</u>

The following financial information concerning transactions with the District have been included in the City of Biloxi's financial statements under the following captions:

General Fund

Statement of revenues, expenditures and changes in fund balance:

Public works expenditures:

Other services and charges (solid waste charges) \$ 1,956,064

Water and Sewer Enterprise Fund

Balance sheet:

Prepaid contractual services \$ 307,827

Statement of revenues, expenses and changes in retained earnings:

Operating expenses:

Contracted services (wastewater treatment) \$ 4,824,022

Jointly Governed Organizations

Harrison County Library System — On May 18, 1976, the City entered into an agreement with the Board of Trustees of the Biloxi Public Library, the City of Gulfport, the Board of Supervisors of Harrison County, the Board of Trustees of the Gulfport-Harrison County Library, the City of Pass Christian, and the Board of Trustees of the Pass Christian Public Library to mutually cooperate in securing a more economical public library system through combined resources, interests, materials and facilities to be known as the Harrison County Library System. There are no specific monetary terms in the agreement and the City of Biloxi has no equity interest in the organization. However, a budget is approved every year by the County Library Board, which stipulates the amount of funds needed from the participating municipalities and various other funding sources. The City of Biloxi contributed \$785,000 for the year ended September 30, 2003. The amount budgeted for the City of Biloxi for the fiscal year ended September 30, 2004 is \$785,000. This agreement is cancelable upon 60 days written notice prior to the end of the fiscal year and therefore, the City of Biloxi does not have an ongoing financial responsibility.

Gulfport-Biloxi Regional Airport Authority — The Gulfport-Biloxi Regional Airport Authority was chartered on August 25, 1977, and assumed control of the Airport on October 1, 1977. The Authority is comprised of one appointee each from the local governmental units of the City of Gulfport, the City of Biloxi, and Harrison County. These governmental units have agreed to subsidize the Airport annually. During the past

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

fiscal year, the City of Biloxi provided \$115,000 to the Gulfport-Biloxi Regional Airport in order to assist in the operation of the facility. The City has budgeted \$115,000 for the 2003-2004 fiscal year. The City of Biloxi has no equity interest in the organization.

L. Other Commitments

Water System Operation and Maintenance — On November 1, 1990, the City entered into a service contract with ECO Resources, Inc., to provide maintenance and other services necessary for the proper operation of the City's water facilities. ECO is responsible for all labor, chemicals, parts, supplies, and capital repairs required to maintain the water distribution system. The contract was amended to include meter reading, billing and collection services.

On October 1, 1998, the City entered into a service contract with ECO Resources, Inc., that suspended the original contract dated November 1, 1990, and all subsequent amendments. The contract was amended in 1999 to include additional costs of implementing a Cross Connection Control Program as required by the Mississippi State Department of Health. This contract expired September 30, 2003.

Property Leases

On August 15, 2002, the City of Biloxi entered into the Point Cadet Compromise and Settlement Agreement with the State Institutions of Higher Learning (IHL) and the Secretary of State on behalf of the State of Mississippi, and the Isle of Capri. The purpose of the agreement was to resolve public trust tidelands issues affecting the Point Cadet Waterfront Development property. In lieu of the December 2, 1985, lease with the Board of Trustees of State Institutions of Higher Learning, this agreement provides that the City has an undivided one third interest in the entire Point Cadet Development site. The first \$2,733,000 of revenue from this property each year is received by the City of Biloxi. All additional annual revenue which exceeds \$2,733,000 is allocated by thirds to the City of Biloxi, IHL, and the State Tidelands Trust Fund.

The two tidelands lease agreements with the State of Mississippi dated July 15, 1988, continue in effect until June 30, 2018. Lease payments under those leases are now established at \$500,000 per year, but the Isle of Capri is obligated to make those payments.

City of Biloxi, Mississippi
Notes to the Financial Statements
(Continued)

Capital Projects

In connection with the Capital Projects Funds, the City has budgeted certain commitments for engineering services, construction and other capital project costs. The projects are to be funded, in part, with State and Federal grants. The remainder of the required funds will be generated by local sources. The following is a summary of the budgeted commitment for capital projects at September 30, 2003:

Total commitment for general Capital Projects	\$ <u>54,328,459</u>
Funding sources:	
Federal and State Grants	\$ 6,693,431
Bond Funds	25,794,899
General Fund surplus and other future sources of funds to be provided	<u>21,840,129</u>
Total fund sources	\$ <u>54,328,459</u>

Matching Funds — USM Advanced Education Center

In 1997, the City pledged its support and agreed to participate with the county and other cities in funding the local matching contribution for the construction of the Advanced Education Center at the USM Gulf Park campus. The City's 20.5% portion of the annual debt service for the \$2,000,000 in bonds issued by Harrison County will be approximately \$40,000 annually through September 2016.

M. Subsequent Events

On December 1, 2003, the City of Biloxi issued \$9.8 million of General Obligation Bonds for the purposes of constructing or purchasing municipal buildings and land and for repairing, improving, adorning and equipping the same.

N. Prior Period Adjustments

Prior period adjustments have been made to fund balance or retained earnings of the following funds:

	<u>General Fund</u>	<u>Community Development Block Grant</u>	<u>Water and Sewer Fund</u>
Fund balance/retained earnings as previously reported, September 30, 2002	\$ 35,637,274	\$ 4,033	\$ 37,003,176
Book unrecorded water and sewer assets in donated subdivisions			7,514,071
Reclassify certain deferred revenue items to fund balance	<u>55,342</u>	<u>278,086</u>	<u> </u>
Fund balance/retained earnings as restated, October 1, 2002	\$ <u>35,692,616</u>	\$ <u>282,119</u>	\$ <u>44,517,247</u>

Required Supplementary Information

City of Biloxi, Mississippi
Required Supplementary Information
Disability and Retirement Plans

Schedule of Funding Progress
(\$ Thousands)

Plan Year Ended	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
9/30/93	\$ 621	\$ 17,074	3.6%	\$ 16,453	\$ 940	1,750.3%
9/30/94	929	17,575	5.3	16,646	918	1,813.3
9/30/95	1,278	19,217	6.7	17,939	854	2,100.6
9/30/96	1,831	18,859	9.7	17,028	809	2,104.8
9/30/97	2,684	19,504	13.8	16,820	862	1,951.3
9/30/98	3,787	21,561	17.6	17,774	785	2,264.2
9/30/99	4,474	21,854	20.5	17,380	613	2,835.2
9/30/00	5,207	21,913	23.8	16,706	615	2,716.4
9/30/01	6,379	26,092	24.4	19,713	469	4,203.2
9/30/02	7,483	25,960	28.8	18,477	364	5,076.1

Schedule of Employer Contributions

Fiscal Year 10-1 / 9-30	Valuation Date 9-30	Annual Required Contribution	Percentage Contributed
1993-94	1993	\$ 1,480,325	96.5%
1994-95	1994	1,490,850	97.2
1995-96	1995	1,604,949	107.4
1996-97	1996	1,515,530	128.9
1997-98	1997	1,488,764	130.1
1998-99	1998	1,573,193	120.4
1999-00	1999	1,528,671	131.7
2000-01	2000	1,480,273	180.4
2001-02	2001	1,729,519	157.4
2002-03	2002	1,625,642	165.2

Combining Financial Statements
Governmental Funds

City of Biloxi, Mississippi
Combining Balance Sheet
Non-Major Governmental Funds
September 30, 2003

Assets	Special Revenue					Capital Projects				Total
	Community	Fire & Police	Employees'	Employees'	City	General Obligation Public Improvement			1999 TIF	
	Develop ment	Disability &	Disability &	State	Bicentennial	2002	1998	2000	Capital	
	Block Grant	Relief Fund	Relief Fund	Unemployment Fund	Trust Fund	Bond Fund	Bond Fund	Bond Fund	Projects Bond Fund	
Cash	\$ 127,185	\$	\$	\$ 528,348	\$ 24,689	\$	\$	\$	\$	\$ 680,222
Investments						4,788,308	194,183	188,004	31	5,170,526
Receivables:										
Taxes		50,284	38,643							88,927
Other	1,722									1,722
Mortgage loans receivable	213,169									213,169
Land inventory	64,917									64,917
Total assets	<u>\$ 406,993</u>	<u>\$ 50,284</u>	<u>\$ 38,643</u>	<u>\$ 528,348</u>	<u>\$ 24,689</u>	<u>\$ 4,788,308</u>	<u>\$ 194,183</u>	<u>\$ 188,004</u>	<u>\$ 31</u>	<u>\$ 6,219,483</u>
Liabilities & Fund Balance										
Liabilities										
Accounts payable	\$ 71,028	\$ 50,284	\$ 38,643	\$	\$	\$	\$	\$	\$	\$ 159,955
Due to other funds						7,608			39	7,647
Total liabilities	<u>71,028</u>	<u>50,284</u>	<u>38,643</u>	<u></u>	<u></u>	<u>7,608</u>	<u></u>	<u></u>	<u>39</u>	<u>167,602</u>
Fund balance										
Reserved for:										
Endowment, expendable					24,689					24,689
Loans receivable	213,169									213,169
Land inventory	64,917									64,917
Unreserved reported in:										
Special revenues	57,879			528,348						586,227
Capital projects						4,780,700	194,183	188,004	(8)	5,162,879
Total fund balances	<u>335,965</u>	<u></u>	<u></u>	<u>528,348</u>	<u>24,689</u>	<u>4,780,700</u>	<u>194,183</u>	<u>188,004</u>	<u>(8)</u>	<u>6,051,881</u>
Total liabilities & fund balance	<u>\$ 406,993</u>	<u>\$ 50,284</u>	<u>\$ 38,643</u>	<u>\$ 528,348</u>	<u>\$ 24,689</u>	<u>\$ 4,788,308</u>	<u>\$ 194,183</u>	<u>\$ 188,004</u>	<u>\$ 31</u>	<u>\$ 6,219,483</u>

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended September 30, 2003

	Special Revenue					Capital Projects				
	Community Development Block Grant	Fire & Police Disability & Relief Fund	Employees' Disability & Relief Fund	Employees' State Unemployment Fund	City Bicentennial Trust Fund	General Obligation Public Improvement			1999 TIF Capital Projects Bond Fund	Total
						2002 Bond Fund	1998 Bond Fund	2000 Bond Fund		
Revenues										
Ad valorem taxes	\$	\$ 1,517,585	\$ 1,167,150	\$	\$	\$	\$	\$	\$	\$ 2,684,735
Intergovernmental	976,466									976,466
Other income	283,457			11,030	497	26,756	1,778	4,234	12,881	340,633
Total revenues	1,259,923	1,517,585	1,167,150	11,030	497	26,756	1,778	4,234	12,881	4,001,834
Expenditures										
Community Development	1,206,077									1,206,077
Benefit payments		1,517,585	1,167,150	7,087						2,691,822
Total expenditures	1,206,077	1,517,585	1,167,150	7,087						3,897,899
Excess of revenues over expenditures	53,846			3,943	497	26,756	1,778	4,234	12,881	103,935
Other financing sources (uses)										
Bond proceeds						6,000,000				6,000,000
Bond issue cost						(82,720)				(82,720)
Operating transfers out						(1,163,336)	(15,719)	(485,475)	(2,353,114)	(4,017,644)
Total other financing sources uses						4,753,944	(15,719)	(485,475)	(2,353,114)	1,899,636
Excess (deficiency) of revenues and other sources over expenditures and other uses	53,846			3,943	497	4,780,700	(13,941)	(481,241)	(2,340,233)	2,003,571
Fund balance, beginning of year as restated	282,119			524,405	24,192		208,124	669,245	2,340,225	4,048,310
Fund balance, end of year	\$ 335,965	\$	\$	\$ 528,348	\$ 24,689	\$ 4,780,700	\$ 194,183	\$ 188,004	\$ (8)	\$ 6,051,881

Combining Financial Statements

Internal Service Funds

City of Biloxi, Mississippi
Combining Statement of Net Assets
Internal Service Funds
(for self-insured risks)
September 30, 2003

Assets	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Restricted assets				
Cash	\$ 1,368,909	\$ 2,626,686	\$ 700,000	\$ 4,695,595
Due from other City funds	837,664			837,664
Total restricted assets	<u>\$ 2,206,573</u>	<u>\$ 2,626,686</u>	<u>\$ 700,000</u>	<u>\$ 5,533,259</u>
Liabilities & Net Assets				
Liabilities payable from restricted assets				
Claims contingency payable	<u>\$ 2,206,573</u>	<u>\$ 2,626,686</u>		<u>\$ 4,833,259</u>
Net assets				
Unrestricted			700,000	700,000
Total liabilities and net assets	<u>\$ 2,206,573</u>	<u>\$ 2,626,686</u>	<u>\$ 700,000</u>	<u>\$ 5,533,259</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds

(for self-insured risks)

For the Year Ended September 30, 2003

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Operating revenues				
Charges for services, insurance billings	\$ 2,167,197	\$ 4,266,843	\$ 700,000	\$ 7,134,040
COBRA contributions		52,055		52,055
Total operating revenue	<u>\$ 2,167,197</u>	<u>\$ 4,318,898</u>	<u>\$ 700,000</u>	<u>\$ 7,186,095</u>
Operating expenses				
Insurance and reinsurance	\$ 1,419,080	\$ 213,156	\$	\$ 1,632,236
Claims expense	748,117	4,105,742		4,853,859
Total operating expenses	<u>2,167,197</u>	<u>4,318,898</u>		<u>6,486,095</u>
Operating income			<u>700,000</u>	<u>700,000</u>
Fund balance, beginning				
Fund balance, ending	<u>\$</u>	<u>\$</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Combining Statement of Cash Flows
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2003

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total
Cash flows from operating activities				
Receipts from customers	\$ 2,167,197	\$ 4,318,898	\$ 700,000	\$ 7,186,095
Payments to suppliers	<u>(2,039,530)</u>	<u>(4,651,010)</u>		<u>(6,690,540)</u>
Net cash provided by (used in) operating activities	<u>127,667</u>	<u>(332,112)</u>	<u>700,000</u>	<u>495,555</u>
Cash flows from non-capital financing activities				
Loans to other funds	<u>(738,036)</u>			<u>(738,036)</u>
Net increase (decrease) in cash and cash equivalents	(610,369)	(332,112)	700,000	(242,481)
Cash and cash equivalents, beginning of period	<u>1,979,279</u>	<u>2,958,797</u>		<u>4,938,076</u>
Cash and cash equivalents, end of period	<u>\$ 1,368,910</u>	<u>\$ 2,626,685</u>	<u>\$ 700,000</u>	<u>\$ 4,695,595</u>

See Independent Auditors' Report.

Supplemental Information

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Budget Basis
Community Development Block Grant
For the Year Ended September 30, 2003

	Actual	Budget	Variance Positive (Negative)
Revenues			
Intergovernmental	\$ 976,466	\$ 1,657,430	\$ (680,964)
Other income	283,620	29,777	253,843
Total revenues	<u>1,260,086</u>	<u>1,687,207</u>	<u>(427,121)</u>
Expenditures			
Community Development	<u>1,206,078</u>	<u>1,687,277</u>	<u>481,199</u>
Excess (deficiency) of revenues over expenditures	54,008	(70)	54,078
Fund balances, beginning of year	<u>2,149</u>	<u>2,149</u>	
Fund balances, end of year	<u>\$ 56,157</u>	<u>\$ 2,079</u>	<u>\$ 54,078</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Disability & Relief Funds
For the Year Ended September 30, 2003

	Fire and Police Disability & Relief Fund	Employees' Disability & Relief Fund	Total	Budget	Variance Positive (Negative)
Revenues					
Ad valorem taxes	\$ 1,477,948	\$ 1,136,689	\$ 2,614,637	\$ 2,522,584	\$ 92,053
Expenditures					
Benefit payments	1,477,948	1,136,689	2,614,637	2,522,584	(92,053)
Excess of revenues over expenditures					
Fund balances, beginning of year					
Fund balances, end of year	\$	\$	\$	\$	\$

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Debt Service Fund
For the Year Ended September 30, 2003

	Actual	Budget	Variance Positive (Negative)
Revenues			
Ad valorem taxes	\$ 4,617,819	\$ 4,991,370	\$ (373,551)
Intergovernmental	1,113,066	1,231,208	(118,142)
Other income	54,675	50,600	4,075
Total revenues	<u>5,785,560</u>	<u>6,273,178</u>	<u>(487,618)</u>
Expenditures			
Principal retirement	2,641,116	3,421,274	780,158
Interest expense	1,665,236	3,005,218	1,339,982
Paying agents' fees	18,396	34,000	15,604
Total expenditures	<u>4,324,748</u>	<u>6,460,492</u>	<u>2,135,744</u>
Excess (deficiency) of revenues over expenditures	<u>1,460,812</u>	<u>(187,314)</u>	<u>1,648,126</u>
Other financing sources			
Operating transfers in	<u>1,504</u>	<u></u>	<u>1,504</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>1,462,316</u>	<u>(187,314)</u>	<u>1,649,630</u>
Fund balances, beginning of year	<u>3,377,678</u>	<u>3,377,678</u>	<u></u>
Fund balances, end of year	<u>\$ 4,839,994</u>	<u>\$ 3,190,364</u>	<u>\$ 1,649,630</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budget Basis
Capital Projects Funds
For the Year Ended September 30, 2003

	General Capital Projects Fund	General Obligation Public Improvement			1999 TIF Capital Projects Bond Fund	2002 TIF Capital Projects Bond Fund	Total	Budget	Variance Positive (Negative)
		2002 Bond Fund	1998 Bond Fund	2000 Bond Fund					
Revenues									
Intergovernmental	\$ 772,466	\$	\$	\$	\$	\$	\$ 772,466	\$ 3,632,521	\$ (2,860,055)
Other income		26,756	1,778	4,234	12,881	81,796	127,445	47,000	80,445
Total revenues	<u>772,466</u>	<u>26,756</u>	<u>1,778</u>	<u>4,234</u>	<u>12,881</u>	<u>81,796</u>	<u>899,911</u>	<u>3,679,521</u>	<u>(2,779,610)</u>
Expenditures									
Capital projects	<u>26,637,807</u>	<u>82,720</u>				678,170	27,398,697	62,281,812	34,883,115
Excess (deficiency) of revenues over expenditures	<u>(25,865,341)</u>	<u>(55,964)</u>	<u>1,778</u>	<u>4,234</u>	<u>12,881</u>	<u>(596,374)</u>	<u>(26,498,786)</u>	<u>(58,602,291)</u>	<u>32,103,505</u>
Other financing sources (uses)									
Bond proceeds		6,000,000				23,000,000	29,000,000	29,000,000	
Operating transfers in	25,225,367						25,225,367	57,911,120	(32,685,753)
Operating transfers out		(1,163,336)	(25,781)	(564,704)	(2,353,114)	(8,507,375)	(12,614,310)	(28,277,323)	15,663,013
Total other financing sources (uses)	<u>25,225,367</u>	<u>4,836,664</u>	<u>(25,781)</u>	<u>(564,704)</u>	<u>(2,353,114)</u>	<u>14,492,625</u>	<u>41,611,057</u>	<u>58,633,797</u>	<u>(17,022,740)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(639,974)</u>	<u>4,780,700</u>	<u>(24,003)</u>	<u>(560,470)</u>	<u>(2,340,233)</u>	<u>13,896,251</u>	<u>15,112,271</u>	<u>31,506</u>	<u>15,080,765</u>
Fund balances, beginning of year			218,186	748,474	2,340,225	(2,457,945)	848,940	848,940	
Fund balances, end of year	<u>\$ (639,974)</u>	<u>\$ 4,780,700</u>	<u>\$ 194,183</u>	<u>\$ 188,004</u>	<u>\$ (8)</u>	<u>\$11,438,306</u>	<u>\$15,961,211</u>	<u>\$ 880,446</u>	<u>\$15,080,765</u>

City of Biloxi, Mississippi
Schedule of Revenues and Expenses Compared to Budget
Water and Sewer Fund
For the Year Ended September 30, 2003

	Actual	Budget	Variance Positive (Negative)
Revenues			
Charges for services:			
Water and sewer charges	\$ 8,771,413	\$ 7,641,000	\$ 1,130,413
Keesler Air Force Base, sewer	491,130	600,000	(108,870)
Interest income	118,965	330,000	(211,035)
Other income	5,272		5,272
Total revenues	<u>9,386,780</u>	<u>8,571,000</u>	<u>815,780</u>
Expenses			
Personal services	356,024	714,983	358,959
Contracted services	7,257,933	7,554,858	296,925
Other services and charges	1,305,565	1,781,210	475,645
Bond principal	110,282	110,416	134
Interest expense	66,335	66,429	94
Transfers out	422,613	549,137	126,524
Total expenses	<u>9,518,752</u>	<u>10,777,033</u>	<u>1,258,281</u>
Excess (deficiency) of revenues over expenses	<u>\$ (131,972)</u>	<u>\$ (2,206,033)</u>	<u>\$ 2,074,061</u>

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Revenues and Expenses Compared to Budget
Internal Service Funds
(for self-insured risks)
For the Year Ended September 30, 2003

	Liability, Property & Workers Comp.	Employee Medical Claims	Gaming Revenue Interruption	Total	Budget	Variance Positive (Negative)
Revenues						
Charges for services, insurance billings	\$ 2,167,197	\$ 4,266,843		\$ 6,434,040	\$ 5,586,832	\$ 847,208
COBRA contributions		52,055		52,055	48,000	4,055
Total revenues	<u>2,167,197</u>	<u>4,318,898</u>		<u>6,486,095</u>	<u>5,634,832</u>	<u>851,263</u>
Expenses						
Insurance and reinsurance	1,419,080	213,155		1,632,235	1,584,332	(47,903)
Claims expense	<u>748,117</u>	<u>4,105,743</u>		<u>4,853,860</u>	<u>4,050,500</u>	<u>(803,360)</u>
Total expenses	<u>2,167,197</u>	<u>4,318,898</u>		<u>6,486,095</u>	<u>5,634,832</u>	<u>(851,263)</u>
Excess of revenues over expenditures	-	-	-	-	-	-
Other financing sources						
Operating transfers in			700,000	700,000	700,000	-
Excess of revenues and other sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>

City of Biloxi, Mississippi
Schedule of Reconciliation of Original Ad Valorem
Tax Rolls to Fund Collections
For the Year Ended September 30, 2003

	Assessed Value	Rate	Tax
Assessments			
Property taxes:			
City and school purposes	\$ 341,823,523	65.28	\$ 22,314,240
City purposes only	22,026,591	30.10	663,000
Personal, other than auto:			
City and school purposes	88,141,965	65.28	5,753,908
City purposes only	1,417,885	30.10	42,678
Public Utility assessment:			
City and school purposes	20,925,834	65.28	1,366,038
City purposes only	1,901,146	30.10	57,225
Personal, auto:			
City and school purposes	40,608,882	65.28	2,650,948
City purposes only	7,675,416	30.10	231,030
Total			33,079,067
Less:			
Over 65 homestead and Social Security			
Disability reimbursements			(1,234,171)
Regular homestead tax allowances			(492,160)
Central Business District and Historical			
Preservation credits			(363)
Add:			
Over 65 Homestead and Social Security			
Disability reimbursement			519,821
Unaccrued prior year tax collections			1,043,193
Penalties and interest on delinquent taxes			391,212
Total to account for			33,306,599
Actual collections allocated to			
General Fund			9,106,855
Debt Service Fund			4,703,207
Disability and Relief Funds			2,684,735
School Funds			16,643,783
Total			33,138,580
Uncollected taxes and other			168,019
Total accounted for			\$ 33,306,599

See Independent Auditors' Report.

City of Biloxi, Mississippi
Schedule of Investments — All Funds
September 30, 2003

	<u>Yield</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Governmental Funds					
General Fund					
Money Market Fund	0.59%	various	N/A	\$ 16,631	\$ 16,631
Debt Service Funds					
Money Market Fund	0.59%	various	N/A	1,570,281	1,570,281
Capital Projects Funds					
GOPI 1998 Bond Fund:					
Money Market Fund	0.59%	various	N/A	194,183	194,183
GOPI 2000 Bond Fund					
Money Market Fund	0.59%	various	N/A	188,004	188,004
GOPI 2000 Bond Fund					
Money Market Fund	0.59%	various	N/A	4,788,308	4,788,308
1999 TIF Capital Projects Bond Fund					
Money Market Fund	0.59%	various	N/A	31	31
2002 TIF Capital Projects Bond Fund					
Money Market Fund	0.59%	various	N/A	<u>11,601,645</u>	<u>11,601,645</u>
Total investments, governmental funds				<u>\$ 18,359,083</u>	<u>\$ 18,359,083</u>

See Independent Auditors' Report

City of Biloxi, Mississippi
Schedule of Long-Term Debt
September 30, 2003

	Date Issued	Original Issue	Balance October 1, 2002	New Issues	Retirements	Balance September 30, 2003	Requirements Year Ended September 30, 2004	
							Principal	Interest
General Obligation Bonds and Notes								
General Obligation Bonds of 1988 - A	06/01/88	\$ 1,200,000	\$ 525,000	\$	\$ 75,000	\$ 450,000	\$ 90,000	\$ 34,110
General Obligation Bonds of 1988 - D	12/01/88	750,000	415,000		45,000	370,000	50,000	25,650
General Obligation Bonds of 1989 - A	02/15/89	750,000	415,000		45,000	370,000	50,000	24,150
Refunding Bond of 1995	11/01/95	4,135,000	2,915,000		575,000	2,340,000	615,000	104,363
GOPI 1998	12/22/98	10,000,000	8,500,000		545,000	7,955,000	570,000	317,666
GOPI 2000	05/01/00	6,500,000	5,475,000		560,000	4,915,000	590,000	245,525
Airport General Obligation Bonds, 2000	05/01/00	1,000,000	845,000		85,000	760,000	90,000	38,831
Mississippi Development Bank promissory note	01/04/01	3,025,000	2,646,865		302,508	2,344,357	302,508	121,314
General Obligation Bonds of 2002	12/01/02	6,000,000		6,000,000		6,000,000	180,000	417,289
Total General Obligation Bonds and Notes			<u>21,736,865</u>	<u>6,000,000</u>	<u>2,232,508</u>	<u>25,504,357</u>	<u>2,537,508</u>	<u>1,328,898</u>
Limited Obligation Bonds and Notes								
Tax Increment Financing, 1999	10/01/99	12,000,000	11,280,000		390,000	10,890,000	410,000	663,115
Mississippi Development Authority Loan	11/01/01	500,000	500,000		18,608	481,392	19,166	14,442
Tax Increment Financing, 2002	11/01/02	23,000,000		23,000,000		23,000,000	695,000	988,283
Total Limited Obligation Bonds and Notes			<u>11,780,000</u>	<u>23,000,000</u>	<u>408,608</u>	<u>34,371,392</u>	<u>1,124,166</u>	<u>1,665,840</u>
Total general long-term debt			<u>33,516,865</u>	<u>29,000,000</u>	<u>2,641,116</u>	<u>59,875,749</u>	<u>3,661,674</u>	<u>2,994,738</u>
Proprietary Funds Debt								
City of Biloxi, water and sewer pollution control loans	1981-2001	2,685,427	<u>1,970,978</u>		<u>110,510</u>	<u>1,860,468</u>	<u>114,298</u>	<u>62,537</u>
Totals			<u>\$ 35,487,843</u>	<u>\$ 29,000,000</u>	<u>\$ 2,751,626</u>	<u>\$ 61,736,217</u>	<u>\$ 3,775,972</u>	<u>\$ 3,057,275</u>

City of Biloxi, Mississippi
Schedule of Surety Bonds for Municipal Officials
And Other Municipal Employees

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
A. J. Holloway	Mayor	Fidelity and Deposit Company of Maryland	\$ 100,000
Jim Compton	Councilman	Fidelity and Deposit Company of Maryland	100,000
Eric Dickey	Councilman	Fidelity and Deposit Company of Maryland	100,000
George Lawrence	Councilman	Fidelity and Deposit Company of Maryland	100,000
Mike Fitzpatrick	Councilman	Fidelity and Deposit Company of Maryland	100,000
David Fayard	Councilman	Fidelity and Deposit Company of Maryland	100,000
Charles Harrison	Councilman	Fidelity and Deposit Company of Maryland	100,000
Tom Wall	Councilman	Fidelity and Deposit Company of Maryland	100,000
William L. Lanham	Deputy Clerk	Fidelity and Deposit Company of Maryland	50,000
Brenda Johnston	City Clerk/ Tax Collector	Fidelity and Deposit Company of Maryland	50,000
Ann B. Kriss	Court Clerk	Fidelity and Deposit Company of Maryland	10,000
W. Eugene Henry	Municipal Judge	Fidelity and Deposit Company of Maryland	25,000
William Tisdale	Municipal Judge	Fidelity and Deposit Company of Maryland	25,000

Note —In addition to the Surety Bond Coverage detailed above, all employees are covered under a \$100,000 Honesty Blanket Bond.

See Independent Auditors' Report

Section III
Statistical Section

City of Biloxi, Mississippi
General Governmental Expenditures by Function — Last Ten Fiscal Years
(All Governmental Funds)

	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01	FYE 09/30/00
Expenditure function				
General government	\$ 4,021,258	\$ 4,159,184	\$ 3,886,516	\$ 3,236,454
Parks and recreation	4,323,630	4,254,332	3,839,485	3,161,109
Public safety	22,412,569	22,203,686	20,080,649	19,160,996
Public works	8,114,028	7,639,287	7,506,841	7,292,767
Community development	2,922,240	3,777,394	2,944,613	5,234,303
Non-departmental	6,180,177	4,816,858	4,155,396	4,100,494
Retirement contribution	2,691,822	2,728,111	2,690,011	2,003,334
Capital outlay	28,648,825	18,041,127	17,726,160	27,508,751
Debt service:				
Principal	2,641,116	2,627,508	5,389,627	2,679,648
Interest	1,689,836	1,821,497	2,026,245	1,151,844
Totals	\$ 83,645,501	\$ 72,068,984	\$ 70,245,543	\$ 75,529,700

City of Biloxi, Mississippi
General Revenues by Source — Last Ten Fiscal Years
(All Governmental Funds)

	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01	FYE 09/30/00
Revenue Source				
Taxes	\$ 16,494,797	\$ 15,788,474	\$ 15,570,922	\$ 15,129,168
Licenses and permits	3,661,074	3,320,782	3,403,789	3,116,426
Intergovernmental	37,250,012	36,101,336	37,451,946	35,644,640
Charges for services	1,129,740	1,213,723	1,174,942	962,833
Fines	1,180,109	1,133,113	1,387,709	1,367,677
Other	4,908,527	4,780,680	7,069,911	7,603,962
Totals	\$ 64,624,259	\$ 62,338,108	\$ 66,059,219	\$ 63,824,706

FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95	FYE 09/30/94
\$ 3,240,314	\$ 2,973,058	\$ 3,087,628	\$ 3,123,473	\$ 2,625,516	\$ 1,974,334
2,762,056	2,267,951	2,177,271	2,027,528	1,897,458	1,640,803
15,399,824	13,822,490	12,358,991	12,345,098	10,391,089	8,462,882
6,876,835	5,464,126	5,240,023	4,711,159	4,869,208	3,667,121
5,785,890	5,779,560	4,540,654	4,753,255	6,268,157	3,755,865
3,424,797	1,768,632	1,409,370	1,074,229	805,596	735,014
1,935,661	1,975,410	1,963,354	1,724,506	1,458,373	1,285,433
9,706,179	6,804,730	5,978,367	4,627,764	3,419,094	2,996,140
1,654,079	2,480,119	2,485,045	2,521,305	2,704,944	2,390,267
647,055	816,293	985,567	1,212,325	1,342,382	1,468,746
<u>\$ 51,432,690</u>	<u>\$ 44,152,369</u>	<u>\$ 40,226,270</u>	<u>\$ 38,120,642</u>	<u>\$ 35,781,817</u>	<u>\$ 28,376,605</u>

FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95	FYE 09/30/94
\$ 14,235,254	\$ 14,319,944	\$ 14,416,033	\$ 13,452,688	\$ 12,316,995	\$ 11,092,816
2,848,885	2,589,044	2,942,327	2,333,102	2,310,856	2,265,091
32,124,722	24,767,498	22,894,848	21,965,225	20,605,718	20,849,929
944,151	891,662	724,323	748,409	980,820	662,284
1,227,526	989,477	1,212,835	1,322,732	1,026,490	708,884
9,467,551	5,405,523	4,138,035	4,286,213	4,606,248	3,246,768
<u>\$ 60,848,089</u>	<u>\$ 48,963,148</u>	<u>\$ 46,328,401</u>	<u>\$ 44,108,369</u>	<u>\$ 41,847,127</u>	<u>\$ 38,825,772</u>

City of Biloxi, Mississippi
Property Tax Levies and Collections — Last Ten Fiscal years

	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01	FYE 09/30/00
Gross tax levy before exemptions	\$ 33,079,067	\$ 31,039,994	\$ 30,181,505	\$ 25,909,370
Add special H/S exemption reimbursement	519,821	512,002	525,651	524,557
Add penalties and interest	391,212	344,764	277,091	293,964
Deduct special homestead exemption	(1,234,171)	(1,143,558)	(979,035)	(1,150,864)
Deduct regular homestead exemption	(492,523)	(483,527)	(409,214)	(362,694)
Total Tax Levy	32,263,406	30,269,675	29,595,998	25,214,333
Current tax collections	32,095,387	29,505,708	28,845,271	25,192,231
Percent of current taxes collected	99.48%	97.48%	97.46%	99.91%
Delinquent tax collections	1,043,193	446,975	522,664	221,892
Total tax collected	33,138,580	29,952,683	29,367,935	25,414,123
Ratio of tax collected to tax levied	102.71%	98.95%	99.23%	100.79%
Outstanding delinquent taxes	168,019	763,967	750,727	22,102
Ratio of delinquent tax to total levy	0.52%	2.52%	2.54%	0.09%
	FYE 09/30/03	FYE 09/30/02	FYE 09/30/01	FYE 09/30/00
Tax Levy Millage				
Tax year	2002	2001	2000	1999
City Funds				
General Fund	15.65	15.65	15.35	26.61
Garbage collection/disposal	2.25	2.25	2.55	4.00
Pension Funds	5.50	5.50	5.50	7.00
Debt Service Fund	6.70	6.70	6.70	8.60
Totals for City purposes	30.10	30.10	30.10	46.21
School Funds				
District maintenance	30.84	26.00	25.50	35.00
Minimum program		1.09	1.09	1.50
School debt	4.34	4.34	4.34	2.60
Totals for School purposes	35.18	31.43	30.93	39.10
Totals City and School	65.28	61.53	61.03	85.31

FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95	FYE 09/30/94
\$ 23,665,151	\$ 23,444,114	\$ 23,121,088	\$ 23,355,884	\$ 20,257,317	\$ 17,640,409
524,455	527,765	523,981	524,087	513,414	508,839
226,451	247,405	167,093	156,729	153,033	101,979
(1,131,455)	(1,178,118)	(1,186,046)	(1,207,603)	(1,181,870)	(1,177,141)
(360,220)	(359,653)	(359,850)	(359,091)	(352,917)	(337,932)
22,924,382	22,681,513	22,266,266	22,470,006	19,388,977	16,736,154
22,911,971	22,256,417	21,722,026	20,313,231	18,543,516	16,597,897
99.95%	98.13%	97.56%	90.40%	95.64%	99.17%
386,089	218,831	784,493	87,713	108,453	14,243
23,298,060	22,475,248	22,506,519	20,400,944	18,651,969	16,583,654
101.63%	99.09%	101.08%	90.79%	96.20%	99.09%
12,411	425,096	544,240	2,156,775	845,461	138,257
0.05%	1.87%	2.44%	9.60%	4.36%	0.83%

FYE 09/30/99	FYE 09/30/98	FYE 09/30/97	FYE 09/30/96	FYE 09/30/95	FYE 09/30/94
1998	1997	1996	1995	1994	1993
27.61	30.86	30.86	33.66	32.02	31.02
4.00	4.00	4.00	4.00		
7.00	8.00	8.00	8.00	7.50	7.50
9.10	10.10	11.85	12.65	18.04	20.54
47.71	52.96	54.71	58.31	57.56	59.06
33.50	33.00	33.00	33.00	33.00	33.00
1.50	2.00	2.00	2.00	2.00	2.00
2.60	2.60	2.35	2.75	3.50	4.00
37.60	37.60	37.35	37.75	38.50	39.00
85.31	90.56	92.06	96.06	96.06	98.06

City of Biloxi, Mississippi
Assessed and Actual Value of Taxable Property — Last Ten Fiscal years

Fiscal Year Ended	Real Property (1)		Personal Property	
	Assessed Value	Actual Value	Assessed Value	Actual Value
2003	\$ 363,850,114	\$ 2,659,723,056	\$ 89,559,850	\$ 597,065,667
2002	364,674,681	2,665,750,592	86,133,392	574,222,613
2001 (2)	357,382,870	2,612,447,880	84,626,942	564,179,613
2000	171,458,879	1,253,354,379	70,078,864	467,192,427
1999	156,364,784	1,143,017,427	65,850,585	439,003,900
1998	145,958,532	1,066,948,333	62,375,669	415,837,793
1997	143,212,567	1,046,875,490	60,122,266	400,815,107
1996	133,742,569	977,650,358	64,387,269	429,248,460
1995	120,177,909	878,493,487	48,821,576	325,477,173
1994	117,506,601	858,966,382	23,024,097	153,493,980

City of Biloxi, Mississippi
Property Tax Rates — All Overlapping Governments — Last Ten Fiscal Years

Fiscal Year Ended	Tax Year	City of Biloxi			Harrison
		Operating Millage	Debt Service	Total	Operating Millage
2003	2002	23.40	6.70	30.10	32.90
2002	2001	23.40	6.70	30.10	32.45
2001	2000	23.40	6.70	30.10	32.80
2000	1999	37.61	8.60	46.21	40.06
1999	1998	38.61	9.10	47.71	41.32
1998	1997	42.86	10.10	52.96	41.42
1997	1996	42.86	11.85	54.71	40.42
1996	1995	45.66	12.65	58.31	38.93
1995	1994	39.52	18.04	57.56	38.90
1994	1993	38.52	20.54	59.06	38.90

Utilities		Automobiles		Total		Ratio of Assessed to Actual
Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
\$ 22,826,980	\$ 152,179,867	\$ 48,284,298	\$ 160,947,660	\$ 524,521,242	\$ 3,569,916,250	14.69%
23,614,559	157,430,393	46,417,107	154,723,690	520,839,739	3,552,127,288	14.66%
21,071,009	140,473,393	47,431,840	158,106,133	510,512,661	3,475,207,019	14.69%
18,344,995	122,299,967	43,529,432	145,098,107	303,412,170	1,987,944,880	15.26%
18,796,527	125,310,180	36,826,879	122,756,263	277,838,775	1,830,087,770	15.18%
18,389,461	122,596,407	32,473,483	108,244,943	259,197,145	1,713,627,476	15.13%
17,708,799	118,058,660	30,360,099	101,200,330	251,403,731	1,666,949,587	15.08%
15,853,782	105,691,880	29,377,671	97,925,570	243,361,291	1,610,516,268	15.11%
15,327,828	102,185,520	26,948,027	89,826,757	211,275,340	1,395,982,937	15.13%
14,755,670	98,371,133	25,020,580	83,401,933	180,306,948	1,194,233,428	15.10%

(1) Class 1 — residential, owner occupied is assessed at 10% of true value.

Class 2 — commercial is assessed at 15% of true value

Above schedule uses estimated combined assessment ratio of 13.68% for real property.

(2) Fiscal year 2001 real property figures reflect completion of real property reappraisal by Harrison County.

County		Biloxi School District			Total Millage	Total City and School
Debt Service	Total	Operating Millage	Debt Service	Total		
2.80	35.70	30.84	4.34	35.18	100.98	65.28
3.25	35.70	27.09	4.34	31.43	97.23	61.53
3.40	36.20	26.59	4.34	30.93	97.23	61.03
3.36	43.42	36.50	2.60	39.10	128.73	85.31
2.10	43.42	35.00	2.60	37.60	128.73	85.31
2.00	43.42	35.00	2.60	37.60	133.98	90.56
3.00	43.42	35.00	2.35	37.35	135.48	92.06
4.49	43.42	35.00	2.75	37.75	139.48	96.06
4.50	43.40	35.00	3.50	38.50	139.48	96.06
4.50	43.40	35.00	4.00	39.00	141.46	98.06

Ad valorem taxes on real property are collected in arrears for each calendar year. The tax is levied in September of the tax year on all property on the tax roll as of January 1 of the same year. Consequently, ad valorem tax is collected in the fiscal year ending in the calendar year subsequent to the calendar year for which the tax is assessed.

**Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita — Last Ten Fiscal Years**

Fiscal Year Ended 9/30	Estimated Population	Assessed Value (3)	Gross General Obligation Debt (4)	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capital
2003	50,644 (1)	\$ 524,521,242	\$ 25,504,357	\$ 5,588,664	\$ 19,915,693	3.79%	393
2002	50,644 (1)	520,839,739	21,736,865	3,926,622	17,810,243	3.42%	352
2001	50,644 (1)	510,512,661	23,994,373	3,920,177	20,074,196	3.93%	396
2000	50,644 (1)	303,412,170	26,169,000	3,817,572	22,351,428	7.37%	441
1999	47,759 (2)	277,838,775	17,395,000	3,914,477	13,480,523	4.85%	282
1998	47,448 (2)	259,197,145	8,960,000	2,607,639	6,352,361	2.45%	134
1997	47,199 (2)	251,403,731	11,330,000	2,310,637	9,019,363	3.59%	191
1996	47,373 (2)	243,361,291	13,710,000	1,572,684	12,137,316	4.99%	256
1995	48,815 (2)	211,275,340	14,730,000	1,532,805	13,197,195	6.25%	270
1994	47,829 (2)	180,306,948	17,280,000	959,322	16,320,678	9.05%	341

(1) 2000 Census

(2) Source: Population Estimates Program, Population Division, US Census Bureau, Washington, DC 20233

(3) Schedule "Assessed and Actual Value of Property"

(4) Includes notes; excludes debt paid from Enterprise Fund revenues

**City of Biloxi, Mississippi
Computation of Direct and Overlapping Bonded Debt — General Obligation Bonds**

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Applicable Percentage	Amount Applicable to City of Biloxi
Direct:			
City of Biloxi	\$ 19,915,693	100.00%	\$ 19,915,693
Overlapping:			
Biloxi School District	27,625,000	100.00%	27,625,000
Biloxi Port Commission	4,665,000	33.40%	1,558,110
Harrison County	<u>50,355,000</u>	<u>33.40%</u>	<u>16,818,570</u>
Total overlapping	<u>82,645,000</u>		<u>46,001,680</u>
Totals	<u>\$ 102,560,693</u>		<u>\$ 65,917,373</u>

City of Biloxi, Mississippi
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt
to Total General Governmental Expenditures — Last Ten Fiscal Years

Fiscal Year Ended 9/30	Principal	Interest and Paying Agent Fees	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003	\$ 2,232,508	\$ 957,870	\$ 3,190,378	\$ 82,884,611	3.85%
2002	2,257,508	1,098,074	3,355,582	72,068,984	4.66%
2001	5,039,627	1,291,873	6,331,500	70,245,543	9.01%
2000	2,679,648	1,151,844	3,831,492	75,529,700	5.07%
1999	1,654,079	647,055	2,301,134	51,432,690	4.47%
1998	2,480,119	816,293	3,296,412	44,152,369	7.47%
1997	2,485,045	985,567	3,470,612	40,226,270	8.63%
1996	2,521,305	1,212,325	3,733,630	38,120,642	9.79%
1995	2,704,944	1,342,382	4,047,326	35,781,817	11.31%
1994	2,390,267	1,468,746	3,859,013	28,376,605	13.60%

City of Biloxi, Mississippi
Revenue Bond Coverage — Last Ten Fiscal Years

Fiscal Year Ended 9/30	Gross Revenues	Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements (1)			
				Principal	Interest	Total	Coverage
2003	\$ 9,416,309	\$ 10,158,286	\$ (741,977)	\$ 110,510	\$ 66,335	\$ 176,845	-419.56%
2002	9,271,778	9,986,717	(714,939)	98,107	62,742	160,849	-444.48%
2001	8,857,508	9,630,775	(773,267)	235,698	55,346	291,044	-265.69%
2000	8,925,287	9,579,252	(653,965)	218,282	68,942	287,224	227.68%
1999	8,676,964	8,031,633	645,331	207,474	52,958	260,432	247.79%
1998	7,581,089	6,987,718	593,371	178,164	68,965	247,129	240.11%
1997	7,716,226	6,472,490	1,243,736	161,713	78,227	239,940	518.35%
1996	7,298,062	5,777,670	1,520,392	157,575	126,718	284,293	534.80%
1995	7,091,855	5,690,471	1,401,384	1,201,973	209,960	1,411,933	99.25%
1994	6,046,710	5,345,162	701,548	945,665	299,367	1,245,032	56.35%

(1) State Pollution Control loans.

City of Biloxi, Mississippi
Demographic Statistics — Last Ten Fiscal Years

Fiscal Year Ended 9/30	Estimated Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate (4)
2003	50,664	not available	6,009	4.4
2002	50,644	25,693	5,854	5.1
2001	50,644	24,734	5,791	3.7
2000	50,644	24,157	5,895	4.2
1999	47,759	23,130	5,991	3.5
1998	47,448	22,148	6,053	3.9
1997	47,199	20,394	6,143	4.6
1996	47,373	19,657	6,219	4.9
1995	48,815	18,629	6,257	6.4
1994	47,829	18,087	6,468	5.4

- (1) 2000 population is US Census data; intervening years are taken from "Population Estimates for Places?, Annual Time Series; April 1, 1990 Population Estimates Base" . Area annexed in 1999 is excluded.
- (2) US Department of Commerce, Bureau of Economic Analysis "Local Area Personal Income"
- (3) Biloxi School District
- (4) Annual average monthly figures for calendar year, Harrison County, Mississippi Employment Security Commission

City of Biloxi, Mississippi
Real Property Value, Construction and Bank Deposits — Last Ten Fiscal Years

Fiscal Year Ended 9/30	Real Property Appraised Value (1)	Commercial Construction		Residential Construction		Bank Deposits		
		Number of Units	Value	Number of Units	Value	Bank and Thrifts (2)	Credit Unions (3)	Total (1,000\$)
2003	\$ 2,659,723,056	402	\$ 85,138,038	1,139	\$ 35,023,581	\$ 695,811	\$ 804,920	\$ 1,500,731
2002	2,665,750,592	296	31,871,067	984	39,028,299	711,099	677,365	1,388,464
2001	2,612,447,880	341	71,835,806	971	29,935,714	697,784	569,154	1,266,938
2000	1,253,354,379	370	61,893,037	1,046	25,582,750	699,772	505,394	1,205,166
1999	1,143,017,427	383	59,679,732	1,170	28,748,157	519,086	477,325	996,411
1998	1,066,948,333	317	74,546,149	722	24,357,696	471,027	421,789	892,816
1997	1,046,875,490	440	299,429,173	712	19,937,665	471,751	396,322	868,073
1996	977,650,358	373	47,967,067	662	17,542,792	401,119	357,628	758,747
1995	878,493,487	134	27,775,682	228	34,447,617	383,149	342,610	725,759
1994	858,966,382	175	52,077,615	317	49,519,179	384,269	343,965	728,234

- (1) Schedule "Assessed and Actual Value of Property"
- (2) Source: FDIC
- (3) Source: National Credit Union Administration

City of Biloxi, Mississippi

Principal Taxpayers

September 30, 2003

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Value</u>	<u>Percentage of Total Assessed Valuation</u>
Beau Rivage	Casino resort	\$ 84,424,910	16.21%
Grand Casino	Casino resort	33,470,553	6.43%
Imperial Palace	Casino resort	26,544,822	5.10%
Casino Magic	Casino resort	17,930,059	3.44%
Isle of Capri Casino	Casino resort	17,399,956	3.34%
Master	Pet food manufacturing	11,331,382	2.18%
Mississippi Power	Electrical utility	9,770,803	1.88%
Bell South	Telecommunications	9,138,695	1.75%
The New Palace Casino	Casino resort	8,082,144	1.55%
President Casino	Casino resort	6,917,512	1.33%
Totals		<u>\$ 225,010,836</u>	<u>43.21%</u>

Based on assessment rolls for tax year 2002 (taxes to be collected in 2003)

City of Biloxi, Mississippi
Miscellaneous Statistics For the Year Ended September 30, 2003

Date of Incorporation	February 18, 1838
Form of Government	Mayor / Council
Number of Employees (excluding police and fire)	
classified	213
exempt	88
Area in Square Miles	62
Government Facilities and Services	
Culture and Recreation	
Community Centers	5
Parks.....	26
Park Acreage	170
Golf Courses	0
Swimming Pools	2
Tennis Courts.....	16
Fire Protection	
Number of Stations	8
Number of Fire Personnel.....	161
Number of Calls Answered	3,427
Number of Inspections Conducted.....	3,106
Police Protection	
Number of Stations	1
Number of Police Personnel and Officers	192
Number of Patrol Units	150
Number of law violations	
Physical Arrests.....	10,087
Traffic Violations	15,729
Parking Violations	269
Sewerage System	
Miles of Sanitary Sewers.....	235
Number of Treatment Plants.....	3
Number of Service Connections	12,697
Daily Average Treatment in Gallons.....	11,485,225
Maximum Daily Capacity of Treatment Plants in Gallons.....	18,923,800
Water System	
Miles of Water Mains.....	231
Number of Service Connections	14,959
Number of Fire Hydrants.....	2,996
Daily Average Consumption in Gallons.....	8,002,192
Maximum Daily Capacity of Plant in Gallons.....	13,065,840
Facilities and Services not Included in the Reporting Entity	
Education	
Number of Elementary Schools.....	7
Number of Elementary School Instructors	296
Number of Secondary Schools	4
Number of Secondary School Instructors.....	217
Number of Community Colleges	1
Number of Universities.....	0
Hospitals	
Number of Hospitals.....	4
Number of Patient Beds	1,520

Section IV
Compliance Section

City of Biloxi
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

Grantor Federal Agency / Pass-Through Agency / Program Title	Federal CFDA Number	Grant No. / Pass-Through Grantor No.	Federal Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grant (CDBG)	14.218	B-00-MC-28-0001	\$ 114,007
Community Development Block Grant (CDBG)	14.218	B-01-MC-28-0001	773,000
Community Development Block Grant (CDBG)	14.218	B-02-MC-28-0001	89,459
Total			<u>976,466</u>
Department of the Interior			
Historic Preservation Fund Grant:			
Archives and History, Historic Preservation	15.904	28-28-90017	<u>3,000</u>
Department of Treasury			
Bureau of Alcohol, Tobacco, and Firearms:			
Gang Resistance Education and Training	21.053	ATC02DD12	<u>15,622</u>
Department of Justice			
Office of Community Oriented Policing Services:			
COPS Universal Hiring	16.710	1995CFWX5698	20,723
COPS in Schools	16.710	2000SHWX0201	28,598
Total			<u>49,321</u>
Office of Justice Programs:			
Local Law Enforcement Block Grant	16.592	2001LBBX3229	81,591
Local Law Enforcement Block Grant	16.592	2002LBBX2709	76,541
Total			<u>158,132</u>
Executive Office of the President			
Office of National Drug Control Policy:			
High Intensity Drug Trafficking Area			<u>7,179</u>
Total direct federal assistance			1,209,720
Federal Emergency Management Agency			
Passed through Mississippi Emergency Management Agency:			
Public assistance	83.544	FEMA-1436-DR-MS	<u>196,060</u>
Total expenditures of federal awards			<u>\$ 1,405,780</u>

See Independent Auditors' Report.

**Independent Auditors' Report on Compliance and on Internal Control
over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Council
City of Biloxi
Biloxi, Mississippi

We have audited the general purpose financial statements of the City of Biloxi, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated

January 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Biloxi's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Biloxi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "R. Williams, CPA". The signature is fluid and cursive, with a large initial "R" and a stylized "W".

Certified Public Accountants

Biloxi, Mississippi
January 24, 2004

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133**

To the City Council
City of Biloxi
Biloxi, Mississippi

Compliance

We have audited the compliance of the City of Biloxi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Biloxi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Biloxi's management. Our responsibility is to express an opinion on the City of Biloxi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Biloxi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Biloxi's compliance with those requirements.

In our opinion, the City of Biloxi complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City of Biloxi is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Biloxi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited any occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "P. J. Williams, L. L. L. P." with a stylized flourish at the end.

Certified Public Accountants

Biloxi, Mississippi
January 24, 2004

The City of Biloxi, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section 1 — Summary of Auditors' Results

1. An unqualified opinion was issued on the general purpose financial statements.
2. There were no reportable conditions in internal control disclosed by the audit of the general purpose financial statements.
3. The audit did not disclose any noncompliance which is material to the general purpose financial statements.
4. The audit did not disclose any material weaknesses in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit did not disclose any audit findings which are required to be reported under Section __.510(a) of OMB Circular A-133.
7. The major programs were:

Community Development Block Grant	14.218
-----------------------------------	--------
8. The dollar threshold used to distinguish between Type A and Type B Programs was \$300,000.
9. The auditee did qualify as a low-risk auditee.

Section 2 — Finding Relating to the Financial Statements

None

Section 3 — Finding and Questioned Costs Relating to Major Federal Awards

None

The City of Biloxi, Mississippi
Summary Schedule of Prior Audit Findings
For the Year ended September 30, 2003

There were no prior audit findings relative to federal awards.